

FINANCE

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# FAR EASTERN

## REVIEW

FOUNDED BY GEORGE BRONSON REA  
36TH YEAR OF PUBLICATION

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# The Far Eastern Review

ENGINEERING

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## FAR EASTERN CROSS-CURRENTS

Japan joined the Rome-Berlin Axis on September 27 by signing its military and economic alliance with Germany and Italy. The historic alliance of the three Totalitarian Powers was signed at 1.13 p.m. in the German Chancellory in the presence of Chancellor Adolf Hitler.

The alliance, designed by Germany to paralyse the United States into immobility and hasten the attempted dismemberment of the British Empire, will have far-reaching effects on the future of the Far East.

Herr Joachim von Ribbentrop, German Foreign Minister, issued a warning here to-day that countries which attempt to interfere with the work of the alliance in Europe or Asia "will have to count on the united hostility of 250,000,000 people."

Herr von Ribbentrop, who signed the treaty for Germany, voiced his warning in a speech delivered during the ceremony attending the signature.

Herr von Ribbentrop signed first. He was followed by Mr. Saburu Kurusu, who signed for Japan. Count Ciano was the third to sign the pact. Chancellor Adolf Hitler entered the room where the pact was signed immediately after the conclusion of the ceremony.

The signing of the treaty, which was delayed by the late arrival in Berlin of Count Galeazzo Ciano, Italian Foreign Minister, surprised diplomatic quarters in only one respect. Nationalist Spain had been expected to be among the signatories, but was not.

The alliance, which will remain in effect for ten years, provides that the three Powers shall assist one another with every possible political, economic and military means at their disposal if one of the parties is attacked by a Power at present not involved in the European or Sino-Japanese war.

The alliance also provides that Japan shall recognize the leadership of Germany and Italy in establishing a "new order" in Europe, while Germany and Italy will recognize Japan as the dominant Power in the Far East.

Germany and Italy also agreed to aid Japan in every possible way in the establishment of a "new order" in Greater East Asia, while Japan promises every possible aid in assisting Berlin and Rome in dictating a new order for Europe.

The treaty of alliance, is in three languages, Japanese, German and Italian.

An official translation in English of the general provisions of the pact, from which it was intimated some strategic technical details are omitted, is as follows:

"The governments of Japan, Germany and Italy, considering it as the condition of any lasting peace that all nations of the world be given each its own proper place, have decided to stand by and co-operate with one another in regard to their efforts in Greater East Asia and the regions of Europe respectively wherein it is their prime purpose to establish and maintain a new order of things calculated to promote the mutual prosperity and welfare of the peoples concerned. Furthermore, it is the desire of the three governments to extend co-operation to such nations in other spheres of the world as may be inclined to put forth endeavors along lines similar to their own, in order that their ultimate aspirations for world peace may thus be realized. Accordingly, the governments of Japan, Germany and Italy have agreed as follows:

**Article 1.**—"Japan recognizes and respects the leadership of Germany and Italy in the establishment of a new order in Europe.

**Article 2.**—"Germany and Italy recognize and respect the leadership of Japan in the establishment of a new order in Greater East Asia.

**Article 3.**—"Japan, Germany and Italy agree to co-operate in their efforts on these aforesaid lines. They further undertake to assist one another with all political, economic and military means when one of the three contracting parties is attacked by a power at present not involved in the European war or in the Sino-Japanese conflict.

**Article 4.**—"With a view to implementing the present pact, joint technical commissions, the members of which are to be appointed by the respective governments of Japan, Germany and Italy, will meet without delay.

**Article 5.**—"Japan, Germany and Italy affirm that the aforesaid terms do not in any way affect the political status which exists at present as between each of the three contracting parties and Soviet Russia.

**Article 6.**—"The present pact shall come into effect immediately upon its being signed and shall remain in force for ten years from the date of its coming into force.

"At proper time before the expiration of the said term, the high contracting parties shall, at the request of any one of them, enter into negotiations for its renewal."

### Meaning of the Pact

"The three-Power pact concluded between Japan, Germany and Italy on September 27 represents mankind's declaration for creation of a new order in the world in place of the old one, demonstrating the irresistibility of the rising tide of the new order sweeping Europe and Asia and renovating international politics," asserted Mr. Yakichiro Suma, Japanese Foreign Office spokesman, clarifying the significance of the tripartite pact in a 30-minute radio address broadcast to the nation.

Japan, he said, was now bound by treaty to stand and fall together with Germany and Italy in building a new order in the world. The way which she was to follow had been decided in a clear-cut manner by the pact, and this decision could not fail to influence the world, the spokesman claimed.

The pact, he continued, caused a greater sensation throughout the world than the Anglo-Japanese alliance signed on January 30, 1902, and announced on February 11, 1903. The present pact would possibly be compared to a treaty of alliance or mutual assistance, but "it is unparalleled in its significance because it embodies a covenant binding the three signatories to co-operation in the construction of a new order in the world.

"It must be remembered that the treaty does not aim at victory in the present war or at disposing of the current conflict, but expresses the joint determination of Japan, Germany and Italy to join hands firmly in the building of a new order and to cast in their lots for scores of years to come."

Mr. Suma declared the outbreak of the Manchurian Incident in 1931 served as a signal for a change in the world order. In this sense, Japan took the lead in the construction of a new world order. The Manchurian Incident had been followed by Italy's conquest of Abyssinia and Germany's march into the Rhineland, and then by the Sino-Japanese conflict.

Surveying foreign repercussions to the pact, the spokesman observed that the United States Government tried to

"minimize its effects on the alleged ground that it only announced in treaty form relations which had already existed between Japan, Germany and Italy for the past years, while Great Britain is doing the same, alleging that the pact gives great benefits to Germany and Italy and little advantage to Japan."

The spokesman drew attention to the current situation which, he said, was fraught with the possible danger of the United States doubling her assistance to Great Britain and joining the war on Britain's side against Japan, Germany and Italy. He pointed out the lease of naval and air bases in the Atlantic by Great Britain to the United States, joint defence of the United States and Canada, the new American loan to Chungking, American approach to the Soviet Union and severance of economic relations with Japan, as threatened by the United States.

"Germany and Italy, which recognize Japan's leadership in a greater Asia by virtue of this pact, hold that the new treaty demonstrates the identity of object, spirit and institution among the three signatory Powers. Germany and Italy think that, in addition to the superior Japanese military and air forces, the invincible Japanese Navy in the west Pacific will side with them in case a third Power casts in its lot with Great Britain."

Envisaging further international repercussions to the pact and warning that Japan's "great ordeal" was imminent and that the construction of a new world order was being threatened with big obstacles, Mr. Suma added:

"The emergency period, bristled with real difficulties, is just coming for Japan, but it is not limited to Japan alone. As for Japan, her course of action has been fixed by the three-Power pact."

#### Reaction In Japan

The Japanese people realize the serious international situation which must be caused by the Government's momentous step in signing the new three-Power pact with Germany and Italy. The public, however, expected some such step since the advent of the Konoye cabinet gave indications of a reorientation of Japan's foreign policy, and this expectation was accelerated by reports of moves to form a British, American and Australian front.

The people consider that the new pact is a direct result of the policy of President Roosevelt, the Secretary of State, Mr. Cordell Hull, and Secretary for War, Col. Henry L. Stimson, which they interpret to be to head off Japan, and at every turn to attempt to frustrate Japan's "new order in East Asia."

The position of Soviet Russia is also kept in view. However, the public remains entirely calm and self-possessed.

Increased economic pressure towards Japan by the extension of the American embargo will not bring serious hardships to Japan, the *Yomiuri Shimbun*, one of the big newspapers in Tokyo, editorially

declared in speculating on possible United States moves.

In meeting the situation created by the embargo of scrap iron and steel, Japan can convert its production, organization and use of iron ore from various parts of East Asia, while technical assistance from Germany and Italy under the tripartite pact will increase and improve Japanese steel manufacture, the journal pointed out.

American refusal to buy Japanese silk can be countered by the refusal to buy American raw cotton. "In that case America's difficulties will be double those of Japan," the *Yomiuri Shimbun* concluded.

Declaring that the "new order rapidly is taking shape both internally and externally," the American-owned *Japan Advertiser* here characterized the triple alliance as "the major diplomatic move in recent years," ranking with the Soviet-Nazi non-aggression pact.

Noting that while no specific Power was mentioned in the text of the pact, the *Japan Advertiser* declared, "It is obvious that the pact is directed mainly against the United States, for the Soviet Union is exempted from its application."

The American daily further remarked the pact meant that "if the United States should enter the European war it must be prepared to face war in two oceans simultaneously."

#### Blames "Bungling"

Warning that hostile action by any state against Japan would result in joint retaliatory action by Japan, Germany and Italy, the *Japan Times*, reputed Foreign Office mouthpiece, charged that the U.S. State Department had so bungled its international affairs as to make an enemy of Japan.

The *Japan Times*, whose opinions often have been linked with official viewpoints of the Foreign Office, lashed out against the United States in commenting on the signing of the tripartite pact.

One of the pact's immediate effects, it said, was that if "any hostile action is taken against Japan in the Pacific by the United States or any other Power, it will be met by the joint hostile action of Japan, Germany and Italy.

"This might give America a pause. Particularly might the whole treaty cause the American people to sit back and take stock of the State Department which has so bungled its international affairs to the effect that it has made an enemy of Japan, involved Britain in new difficulties, done no good to the United States and brought the war perilously close to the Pacific Ocean."

#### "Secret Clauses"?

A highly placed and responsible diplomatic source—neither British nor Chinese but one vitally interested in the Far East—told Frederick Kuh, United Press Correspondent, at London, that the Japan-Axis pact contains secret clauses far exceeding in importance the published version of the alliance.

The pact's confidential provisions, he stated, include:

- (1) Germany and Italy agree—naturally on the assumption that they are victorious—to use their influence to facilitate Japan's annexation of the Dutch East Indies and Indo-China after the war.
- (2) Germany and Italy express readiness to mediate between Japan and China for peace favorable to Japan.
- (3) Germany promises to exercise her fullest diplomatic and political good offices to pave the road towards a friendly understanding, including a non-aggression pact between Japan and Russia.

The usually reliable source said all these stipulations are favorable to Japan and were tossed on the scales with a significant fourth provision fixing a tentative date on which Japan would enter the war and participate in a simultaneous blitzkrieg together with Germany's intensified blows against England and a combined German-Italian offensive in Egypt and the Near East.

In the face of probable denials from the participants it may be said that foreign diplomats and Far Eastern experts whom the United Press questioned regarded the foregoing as deserving credence.

It has been suggested that Chancellor Adolf Hitler's and Premier Benito Mussolini's principal task at the Brenner Pass meeting was to determine a definite date for a triple blitzkrieg and agree on its strategic and tactical aspects.

The impression prevails here that continued closure of the Burma Road would find strong influences in Chungking ready to accept German mediation to bring China and Japan to a peace conference.

But Britain's decision to reopen the Burma route, October 17, coupled with the recently increased United States aid and prospective British assistance to China will dissipate any inclination by Generalissimo Chiang Kai-shek's aides to countenance German intercession and fortify China's determination to continue the war.

#### American Press Comment

The American press interpreted the new Japanese military alliance with the Rome-Berlin Axis as a vain attempt to divert American aid from Britain.

"It has not taken long for the American people," said the *New York Times*, "to understand the primary purpose of the German-Italian-Japanese pact as it affects the United States. This purpose is to retard American help to Great Britain.

"The method chosen is to frighten us by the threat of simultaneous war in the Atlantic and the Pacific if we carry our help to Great Britain much farther. The attempt at intimidation is so obvious that it is bound to fail.

"The American people see clearly the immediate importance of a British

victory for the sake of all that they hold dear. They will see it all the more clearly now, when three predatory powers, the avowed foes of the American way of life, not only seek to divide Europe, Asia and Africa among themselves, but also incite Latin America by promises of 'support' to permit totalitarian penetration into the new world.

The *New York Herald Tribune* said: "All the glittering ceremonial at Berlin, all the grandiloquent flourishes about the three powers coming to one another's assistance if 'attacked,' cannot affect by one jot their present inability to do so.

"Words will not shorten the thousands of miles of salt water which separate them; words will not sink the men-of-war which hold these routes, add a barrel of oil or a ton of steel to Japan's slender resources, make Mussolini any less a prisoner of the Mediterranean or Hitler any less a prisoner of the North Sea blockade.

"These words even fail to clarify the chief uncertainty of the situation, which is the attitude of Russia, and the lesser one, which is the attitude of Spain.

"There can be little doubt that the production of this document announces one of the most critical moments of the war and one to which the United States must respond with all the firmness and clarity at its command.

"There is no reason why the United States should 'attack' any of the three powers who have here forbidden us to do so; it would be folly if we did. But by combining their several wars into a single world struggle, and then orienting their association directly against the United States, they have only intensified our vital interest in the survival of Great Britain, in the maintenance of order in the Far East, in the security of the Americas, in every other objective which it is our policy to defend. In the face of this direct threat we can do no less than make it plain that the defence of these interests must now be strengthened by whatever means seem suitable."

The editorial stated in part: "We think, however, that the signing of the treaty will have an effect the opposite of that intended. Despite all the pacifist and defeatist talk we have put forth for a couple of decades, the American people do not scare easily. Already we are rapidly putting the nation on a war footing.

"Meanwhile, we are giving aid to Britain and China under the national policies supported equally by Mr. Roosevelt and Mr. Willkie, and we shall continue to give aid. We have just put a partial embargo on Japanese war purchases here which we can make more complete at any moment, if we care to. We are doing these things, not because we enjoy doing them, but because we must. For we know full well that if Japan succeeds in dominating Asia, and Hitler succeeds in dominating Europe, they will gang up on us in both oceans. And we prefer to take appropriate measures while there is still time, rather than wait passively for that to happen.

*The Philadelphia Record* stated editorially that the alliance was "the equivalent of a long range gun aimed squarely at Uncle Sam" and that this nation "must seize the initiative from Japan while she remains bogged down in China and make clear beyond doubt with acts, not words, that her axis tie-up has ended any further patience or tolerance of Japanese aggression and interference with American interests."

It urged a four point program. An immediate embargo of every form of export to Japan; a still further increase in the rearmament program with special emphasis on naval production including shipyard operation 24 hours daily; amplification of aid to Britain and China; further strengthening of economic ties with Canada and South America including "additional proposals made for their defence with more such measures as the welcome news of building in Chile of a dry dock to accommodate 45,000 ton battleships."

The *Baltimore Sun* stated that Germany and Italy finding that the Battle of Britain was going from bad to worse, were seeking by means of the alliance to confuse American opinion in the hope of preventing, or at least lessening, the flow of munitions to England.

"We shall go on supporting Britain with munitions for the good reason that so long as Britain and the British fleet hold out, we can keep our main fleet in the Pacific where it is capable of defending us against any direct threat which Japan can make," the paper said.

"This fact is perfectly well known to the Japanese and is likely to keep them from direct aggression, though perhaps not from inciting sorties and manoeuvrings. We shall continue to arm ourselves as rapidly as we can, and we shall continue to add to our fleet on the long chance that it may some day be needed.

"What has happened in Berlin is another offensive in the war of nerves. Such offensives may be effective when the peoples against whom they are directed are confused and uncertain as to their policy. They cannot be effective against peoples who have already decided on their main course, and are confident of their ability to maintain that course."

### Tracing Causes

In what some observers consider the first official move designed to counter-balance the situation caused in the Far East by Japan's advance into French Indo-China, the United States Export-Import Bank on September 25 granted an additional loan of \$25,000,000 to the Chungking Government, according to announcement by Mr. Jesse Jones, Federal Loan Administrator.

The announcement says the new loan, as well as a part of previous loans, will be liquidated by the sale of \$30,000,000 of tungsten to the Metals' Reserve Company over a period of years, with prices to be agreed upon from time to time in accordance with market conditions.

Mr. Jones said the Chungking Government intends to use the loan to meet China's "present foreign exchange needs."

The new loan, he said, brings the total of United States credits granted to China during the past two years to the neighborhood of \$70,000,000. Of all loans previously authorized to China, \$43,824,000 has been disbursed, and \$13,160,000 has been repaid to the United States, with no payments past due.

### Embargo Goes On

President Roosevelt, in the most drastic step taken thus far to curb Japan's campaign in East Asia, on September 26, banned all exports of iron and steel scrap except to countries in the Western Hemisphere and Great Britain. The order becomes effective on October 16.

Announcing the new restriction, Mr. Stephen Early, secretary to the President, revealed in a statement to the press that it will apply to 75 types of iron and steel scrap.

The text of Mr. Early's announcement follows:

"The President has approved early establishment of additional controls of the exportation of iron and steel scrap with a view to conserving the available supply to meet the rapidly expanding requirements of the defense program of this country.

"Effective on October 15, all outstanding balances of licenses which were granted pursuant to the existing regulations of July 26 for the exportation of No. 1 heavy melting steel scrap will be revoked. On October 16, the exportation of all grades of iron and steel scrap will be placed under a licensing system.

Secretary Early added that there are some 75 types of scrap, of which only 13 figure in the export trade. Of these 13, heavy melting scrap is in most demand. The licenses hitherto freely issued for this type will continue to be issued freely until October 16, he said, but from that date all 75 types will be placed under a licensing system and licenses will be issued only for Western Hemisphere countries and Britain.

He did not indicate whether the order had any connection with developments in French Indo-China but admitted that the action has the approval of the State Department, which has gone on record as disapproving of Japanese action in French Indo-China.

### Philippine Exports

President Roosevelt, on October 1, further restricted exports of war materials from the United States.

The President ordered that exports of military searchlights, aerial cameras and other types of military equipment be subject to export licensing control.

Meanwhile, official circles disclosed that recent consideration has been given to possible control of Philippine trade with Japan, either through Congressional action or through a request to the Commonwealth Government to establish export controls

co-ordinated with new American export barriers.

The purpose behind this plan is to tighten the new embargoes against Japan which America imposed in retaliation for the Tokyo alliance with the Rome-Berlin Axis.

Defense experts here expressed concern over hemp shipments to Japan. They said any plan to control strategic materials should include an embargo on Philippine hemp.

Asked at his press conference whether there was a possible loophole in the United States iron and scrap steel embargo through Philippines ports, the Secretary of State, Mr. Cordell Hull, said that the matter had not been brought to his attention before. He said he would be glad to inquire into the matter.

Mr. Hull said he had heard nothing of reported Japanese plans to buy scrap iron in Mexico to replace supplies formerly purchased in the United States.

#### "Discriminatory"

The Japanese Foreign Office spokesman, Mr. Yakichiro Suma, described the new American iron and scrap steel embargo as a "discriminatory act" against Japan.

He said that Japan's views on such embargoes had been presented to Washington on frequent occasions. "Our views on these discriminatory actions," he said, "are well known. We must be patient until the last moment."

Japanese newspapers this morning expressed strong indignation at the new American loan of \$25,000,000 to China and the imposition of an embargo which will prevent the exportation of iron or steel scrap to Japan after October 15. The *Asahi Shimbun*, which is representative of the most conservative wing of the metropolitan press, declared that a "clash" between Japan and the United States now appeared inevitable.

"A clash," said the *Asahi*, "between Japan, who must proceed with the establishment of East Asia autonomy, including the South Seas regions, and America, who is bent on interfering with Japan, now seems inevitable."

The editorial added that the latest actions of the United States Government, motivated by nervousness over the Indo-China situation, were aimed at increasing Japan's difficulties in the prosecution of the war against China, with the idea that the execution of Japan's "southward policy" might be impeded thereby. The *Asahi* article concluded with the assertion that Japan was fully prepared to cope with American economic pressure.

#### Admonishes Japan

Although declining to offer any explanation of the motives behind the Administration's new loan to Chungking and the new restrictions on exports of iron and steel scrap, Secretary of State Cordell Hull on September 26 delivered what sounded like a fresh moral admonition to Japan, accusing it of flouting principles which the United States holds

should be the basis for international relations.

Asked in his press conference to comment on a Tokyo dispatch stating that the Japanese Government regards the United States as unalterably opposed to legitimate Japanese expansion in the Orient, Secretary Hull recalled the Government's general position as defined in the declaration of July 16, 1937, which was sent to 55 foreign governments, including the Japanese.

Taking the document, "The Canons of International Conduct," from his pocket, Mr. Hull read all of it and particularly emphasized the last sentence, stating that the United States, while opposed to entering alliances, favors co-operative efforts to support the principles he had outlined by peaceful and practicable means.

The United States still stands four square for those principles to-day, Secretary Hull said, warning that countries which oppose or seek to destroy them do so upon their own responsibility.

Cautiously avoiding any admission that the new scrap restriction is connected with developments in the Far East, Mr. Hull said the White House announcement regarding it speaks for itself and denied knowledge that any step had been taken to notify the Japanese in advance.

#### Embargo Not Feared

Although the new export embargo on iron, steel and all grades of scrap iron announced by the United States Government ostensibly applies to all countries outside the Western Hemisphere except Britain, Domei is convinced that it is aimed directly against Japan as an expression of American displeasure over the Japanese military occupation of French Indo-China.

Mr. Shoji Suganami, chief of the iron manufacturing section of the Commerce and Industry Ministry, made the following statement regarding the American move and its prospective consequences:

"So the United States plans to embargo scrap iron? Never mind, we do not care a fig. We have fully expected it and made perfect preparations to meet it. One needs only to see the stocks of iron laid away in the country to satisfy himself that the American move does not constitute any threat to Japan. The American action merely is a reminder of the need for regulating the consumption of iron. We should discard the wasteful open hearth method, for one thing. In the meantime, I want the people to economize in the consumption of iron. We are thinking of starting a drive to induce the people to give used iron goods to the Government."

It is not the effect of the embargo but the principle of the American action that angers the Japanese, Domei explains.

There is no doubt, says the news agency, that the U.S. State Department imposed the embargo simply in an attempt to apply pressure against this country and thwart its objectives.

"The United States has persisted in exerting pressure against Japan ever since the State Department gave notice of abrogation of the Japanese-American trade treaty in July last year," Domei declares. "This pressure has been confined largely to the economic field. It is a known fact that the United States has been widening the scope of its embargo on exports under the pretext of meeting the needs of national defense. On August 1, the export of class A scrap iron was embargoed. The new presidential order means there will be a complete embargo on exports of iron, steel and class B scrap as well."

"There is no doubt of the provocative nature of the American move, when one recalls that Japan imports most of the class B scrap iron."

#### Counsels Caution

The Japanese Government's spokesman in Tokyo has declared that before any agreement between Japan and America is possible, the United States must recognize as *fait accompli* all that Japan has taken by force in the Orient, writes Admiral Yates Stirling, jun., former Commander of the U.S. Yangtze Patrol.

By the same token we may consider that Japan will insist upon our recognizing her avowed intentions of bringing the entire Far East under Japanese domination. Diplomatic achievements thus are rendered impossible. America while declaring itself to be against German aggression in Europe, cannot condone the same type of aggression in Asia.

There are two ways of stopping Japan in the Pacific. One is to move our battle fleet to Singapore and surely incur war with Japan. The other is to embargo all materials from this country which may be considered useful to Japan in waging a war.

In this case, all trade with Japan would cease and then Japan probably would consider our move an act of war.

Japan claims her war on China is one of self-defence because, without control over China's resources, Japan could not remain a great power.

It is certain then that a United States embargo on all war supplies to Japan would be considered by Tokyo an attack on her security by crippling her war efforts in China.

Japan has clearly shown America the impossibility of appeasement.

There is the choice of either going to war with Japan or leaving her strictly alone in the Far East.

It seems wiser to hold our fleet ready to go to England's support in the Atlantic and not become involved with Japan in an area of her own choosing.

This thought counsels that our naval strategy in the Pacific must remain defensive. Our important naval task is to prevent a British naval defeat.

#### The Konoye Statement

Germany, Italy and Japan are prepared to fight the United States "to the

finish" if the United States "challenges" the signatories of the new Triple Alliance, the Japanese Premier, Prince Fumimaro Konoye, said in an interview in Kyoto on October 4.

Prince Konoye said that Japan, Germany and Italy were prepared to recognize the leadership of the United States in the Western Hemisphere, provided that America recognizes Japan as the leading Power in East Asia, and Germany and Italy as the leaders of a new order in Europe and Africa.

"Nevertheless," he added, "should the United States deliberately refuse to understand the intentions of Germany, Italy and Japan, and should she consider the Triple Alliance a hostile act toward the United States, and should she challenge the signatories of the Tri-Power Pact, then we are ready to accept such a challenge and fight to the finish."

Prince Konoye said that the "adjustment of Japanese political and economic relations with the Soviet Union will be continued in the future, but this does not signify that we will accept Communism."

He said that negotiations between Japan and the Netherlands East Indies were progressing "smoothly" and that the Japanese Government expects to achieve "fairly favorable results."

"The destiny of the Pacific Ocean," Prince Konoye said, "depends solely upon the degree of mutual respect and understanding for each other's positions between the United States and Japan."

"Therefore, the United States should understand Japan's true intentions and positively collaborate with Japan in the task of establishing a new order in East Asia."

"At this juncture, I believe the United States should reflect on the attitude she has been taking against Japan and obtain a fuller realization of the existing situation."

#### Press Comment

The Japanese press gave prominence to the interview given in Kyoto by the Japanese Premier, Prince Fumimaro Konoye, who said Japan was prepared to fight the United States unless America recognizes Japan's dominant rôle in East Asia.

The headlines in the Japanese news papers, however, were not challenging to the United States. They followed the line that Japan is willing to readjust her relations with the United States if Washington will recognize the objectives of Japan, Germany and Italy.

The only thing the United States must do to remain on friendly relations with Japan, said the Japanese press, is recognize Japan's leadership in the Far East and recognize the objectives of Germany and Italy in Europe and Africa.

The Tokyo *Nichi Nichi* said that Japan was "anxious to join hands with the United States for the realization of lasting peace in the world."

If the United States does not change its attitude, however, America may be forced into war, the paper warned.

The paper pointed out that up to the present there has been no indication that the United States is prepared to alter her attitude toward Japan. The United States, the paper pointed out, has been increasing its pressure against Japan by such measures as the extension of a new loan to the Chungking Government and the declaration of embargoes aimed against Japan.

The paper also criticized the United States for its efforts to obtain the re-opening of the Burma Highway for the shipment of war supplies to the Chungking Government.

The paper said that suggestions recently made for a joint Japanese-American commission to study the situation in the Far East had come too late to change America's attitude toward Japan.

#### Will Seek Peace

Japan will seek to negotiate a peaceful settlement of all Japanese-American problems with the United States Government despite the signing of the new Triple Alliance, Mr. Yakichiro Suma, Japanese Foreign Office spokesman said on September 30.

Mr. Suma declared that Japan's new Alliance with the Rome-Berlin Axis is of a defensive nature. He said the alliance was not intended to provoke an attack from other Powers.

Asked whether German warships, if they entered the Pacific, would be given special facilities by Japan, Mr. Suma replied that "nothing like that was stipulated in the treaty."

Mr. Suma declined to comment on the speech delivered in Cleveland by the American Under-Secretary of State, Mr. Sumner Welles, who accused Japan of violating all her moral and legal obligations in the Far East.

Asked whether Japan was attempting to negotiate a non-aggression pact with the Soviet Union, Mr. Suma replied that "the subject is too delicate to be taken up here."

Mr. Suma said that the new alliance which Japan signed last week "simplifies Anglo-Japanese relations" because "it leaves Britain only one course for dealing with Japan, namely, recognition of the new order in Greater East Asia."

Mr. Suma indicated that he would regard any country refusing to recognize the projected "new order" as refusing to co-operate with Japan.

He said, however, that Japan has not abandoned hope of adjusting her relations with the United States. He alleged that the Japanese press was not attacking any particular country.

Mr. Suma said that the new alliance was "more than a military alliance." He pointed out that it provided that the signatories aid each other in the establishment of a "new order" both in Europe and Asia.

He said the treaty was defensive and constructive at the same time. The importance of the treaty "cannot be over-estimated," he said.

"The three signatories," Mr. Suma declared, "are joining hands in the construction of a new order in an effort to rescue the world from disturbances and the horror of war."

#### Foresees Showdown

The Japanese press indicated early in October that the Japanese Government is planning an early showdown in the Netherlands East Indies before the psychological effects of the new Japanese military alliance with the Rome-Berlin Axis wear off.

The *Asahi Shimbun* reported from Batavia that the new Triple Alliance had "greatly influenced" the current Japanese-East Indies negotiations. The outcome of the negotiations, the report said, probably will be known within a week or two.

The *Asahi* report said that the conclusion of a military alliance among the Totalitarian Powers "apparently showed the Dutch authorities that Japan is unmistakably resolved to do everything necessary toward the construction of a Greater East Asia."

#### Russia Outside Pact

The new tri-Power military alliance signed in Berlin by Germany, Italy and Japan will not prevent Russia from continuing her aid to the Chinese Government in the Sino-Japanese war, as long as such aid is not "decisive," German officials in Berlin indicated.

Asked whether the shipment of Russian war supplies to China would not collide with Japan's alliance with the Rome-Berlin Axis, a German spokesman pointed to the fifty over-age destroyers recently transferred to the British Navy by the United States. He indicated that military aid on such a scale was not considered any basis for calling the new "defensive" alliance into effect.

"The decisive point," the German spokesman said, "is what effect the material supplied might have on the course of the war."

"We are not of the opinion that the sale of fifty old destroyers, which probably will be used by the British for convoying, will have any effect on the outcome of the war."

German officials refused to say whether the Netherlands East Indies would be considered within the Asiatic or European spheres of influence mentioned in the new alliance.

"This question is not connected with any discussion of the tri-power pact," it was said.

Regarding Germany's attitude toward South America, a German spokesman said, "Germany has never taken a position against the Monroe Doctrine of the Americas for Americans. We are interested in maintaining good relations with the Americas in all fields."

Meanwhile, the *Allgemeine Zeitung* said that the statement of Mr. Cordell Hull, American Secretary of State, on the new tri-Power pact "admits that the American alignment against Japan, expressed in American gasoline and scrap iron embargoes and in other measures, is part of a systematic and considered anti-Japanese policy."

"When previous relations between Japan and the Axis Powers developed into a military alliance," the paper said, "America's policy naturally contributed to it."

"Hull's statement will hardly calm the American people, but all the less since he immediately afterwards announced that the same morning he had conversed with the British Ambassador, Lord Lothian, regarding new American bases in the Atlantic."

Other Berlin afternoon papers also declared that the alleged hostility of the United States toward Japan was partially responsible for the signing of the tri-Power pact. The new alliance, they said, was aimed at hindering possible United States intervention in the Far East.

The *Hamburg Fremdenblatt* criticized Washington officials for taking the view that the new alliance merely put into formal words a relationship which had long existed between Japan and the Rome-Berlin Axis.

"The White House and the State Department," the paper said, "know just as well as Germany does that there is a substantial difference between the ideological anti-Comintern pact, which has linked these Powers for several years, and a defensive alliance."

"The first American declaration by Mr. Hull must be regarded as an expression of embarrassment resulting from the fact that the surprise conclusion of the tri-Power pact confronts the United States with new decisions whose urgency will be noticed not the least of all by the broad masses of the American people."

"In the Far East," said the *Fremdenblatt*, "the purpose of the new pact is defence against any possible American intervention."

"Japanese fears, which moved that country to conclude an alliance with the Axis Powers, can be traced back to the fact that America's trade policies for years presented Japan with difficulties resembling a blockade. This was particularly true while Japan stood in the midst of a bitter conflict with China."

#### Soviet Agreement Seen

The possible effects on the Far Eastern situation of the recently-signed pact between Berlin, Rome and Tokyo, was the subject of an editorial in *Le Temps*, on October 3.

"Since Soviet Russia reached an agreement with Nazi Germany fixing their respective spheres of influence in Europe, there is no reason why Russia should not agree also with Japan on a specific delimitation of their respective positions in the Far East," the paper said.

*Le Temps* then stressed that the new tripartite alliance, contrary to the anti-Comintern pact, contained nothing which could cause anxiety to the Soviet Union, and one of its clauses even specified that "it in no way affects the political status existing between each of the signatories and Soviet Russia."

"It is to be expected that Germany will make every effort to facilitate an agreement between Russia and Japan," the paper continued. "The fact that the German Foreign Minister, Herr Joachim von Ribbentrop, has left for Moscow to confer with the Foreign Commissar, M. Viacheslav Molotoff is most interesting in this connection. It must be noted that even before the tripartite agreement had been officially concluded it was announced that parleys had already been engaged between Moscow and Tokyo with a view to the conclusion of a non-aggression pact. This would result in the three signatories of the recent alliance adopting an identical policy towards Soviet Russia."

*Le Temps* then pointed out that the conclusion of such a pact between Moscow and Tokyo would be but logical in view of the policy aiming at the creation of a new order in Europe and Asia.

"Through it, Japan would have the same freedom of action in the Far East as Germany obtained in Europe by her pact with Moscow, while Russia's gain would be the safety of her positions in the Far East," the paper declared.

In conclusion, *Le Temps* asserted that nothing leads to the belief that Russia will in any way modify her attitude in the Italo-German conflict against Great Britain.

"Those who, in America and Britain, still believe in the possibility of a decisive initiative being taken by the Soviets risk being very much mistaken," the paper said. "It must be seen that Russia's present attitude brought her too many advantages without having to go to war herself, for her to change it in the present state of affairs."

#### Japan Turns to Russia

After aligning herself with the Rome-Berlin Axis, the attention of Japanese officialdom appeared to be turning to the effecting of a rapprochement with the Soviet Union.

Japanese officials seemed anxious and willing to conclude with Russia a pact similar to the current Russo-German pact. The attitude of Soviet Russia toward such an arrangement, however, has not been clarified.

The *Asahi Shimbun* said in a special article that the new tri-Power pact probably would prove instrumental in effecting a Russo-Japanese rapprochement.

Germany, Italy and Japan, the paper said, "regard Russia as a newly risen Power capable of co-operating in the establishment of the new world order."

Referring to the clause in the tri-Power pact which preserved the present relations of each signatory with Soviet Russia, the paper said: "This special

clause has important significance for Japan's future diplomatic policy toward Russia."

Japanese adherence to the tri-power military alliance drove the last nail into the coffin of the famed anti-Comintern pact which Germany and Italy initiated four years ago with Russia as the target and which was knifed last year by the Russo-German agreement.

The new agreement, which is an open military alliance, has the United States as its chief target instead of Russia. As far as Russia is concerned, at the most, it is a latent threat to keep the Soviet Union in line and is not active against Communism as such.

Between the lines of the new pact can be read the obvious fact that Russia has been given secret assurances which will relieve Moscow from anxiety over possible Japanese incursions into Soviet dominated Outer Mongolia or across the Amur toward Vladivostok.

Newspapers in Berlin, Tokyo and Rome assure each other and the world that Germany, Japan and Italy have been immeasurably strengthened by the treaty and the realization of "a new order in Europe and East Asia which may be expected momentarily."

The pact advises all who would share in the spoils to climb aboard the band wagon now. What does Japan get out of it?

London quarters and others are quick to point out—even though Japan has agreed to take on almost single-handedly the United States to free the Pacific in the event America joins England—that the Axis would be unable to furnish Japan with the scrap iron she is losing under Washington's embargo, to say nothing of direct naval, military assistance.

That is where Russia comes in. Given assurances against Japanese aggression, Moscow also is confronted with the threat of Italo-German aid to Japan if Russia should take an offensive. The Axis influence in this way is of vital assistance to Japan in the matter of the border between Manchoukuo and Siberia.

With 1,000,000 men engaged in a gigantic attempt to conquer China, Japan, from the start, had to keep one-quarter to one-third that number of first class troops along the 1,200-mile frontier in the north.

Even the Berlin-Moscow pact last August failed to assure Japan that she might not suffer a sudden and devastating blow from the one power she has feared actively for a decade.

But the pact expressly pledges the signatories to aid immediately any of the three beset by a power not at present involved in the European or Sino-Japanese wars.

That seemingly includes Russia as well as the United States. In addition, Germany will apply pressure on Moscow to cease supplying arms and other essentials to China. Relieved of the constant threat from the north, there is no doubt that Japan will be able to devote considerably more energy to its southward expansion.

# Sea Leaves from Lo Pat's Garden

by Shamus of Rabbit

The gods have been kind enough  
To make the shortcomings of  
others  
Appear greater than our own.

It's surprising how many men  
Show us how to lose money  
And demand a reward for the  
service.



The basis of the virtue of tired people  
Is often lack of the "pep"  
Possessed by the wicked.

We like to claim  
That we care not for money  
But our creditors have a way  
Of reminding us of our  
need for it.

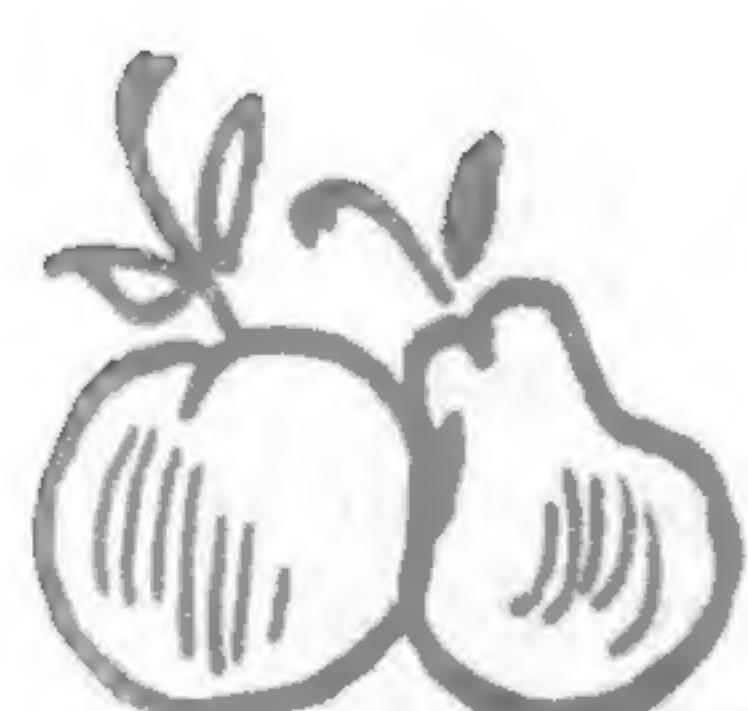
Change is so obnoxious to some people  
We might infer that the laws of  
Evolution  
Are foreign to the human mind.



Change alone is changeless.

Pride is like  
A blasted tree  
That cannot bloom  
Nor bend its limbs  
To offer shade—  
Nor even shed the leaves  
That make a bed  
For winter snows.

The living tree will bend—  
The dead branch must break.



To reap the fruits  
Of a civilization  
We must absorb the philosophy  
Upon which that civilization rests.

The family and clan system  
Conflicts with  
The individualism  
Of a dynamic world.

Where ceremony rules  
Form takes precedence  
Over substance  
And courage is relegated  
To the battlefield.

It is easier for those  
Who follow the path  
Of least resistance  
To be polite than truthful.

He who insists on telling the truth  
And nothing but the truth  
At all times and under all circumstances  
Is like an airplane with a dead engine  
Above a crowd.

Those who cry  
About the world  
Owing them a living  
Shed no tears  
When they cannot pay  
Their bills.

Those who have the grit  
To work and pay their way  
Are grateful to the world  
For the joy of living and  
Are too cheerful to cry  
About what the world  
Owes to anybody.

'Tis said that  
"Where there's smoke there's fire"—  
But 'tis well to remember that  
There's often more smoke than flame.



An acorn may become an oak  
In a hundred years or more  
But every acorn possesses not  
The patience  
To become an oak.

"Rolling stones  
N'er gather moss"—  
But why should one possessed  
Of life to grow  
Sit forever on a spot

For no more joy than to be got  
From being but a mossy rock?

Fortunate is he  
Whose prime sense  
Is humor.

He who has  
A sense of humor  
Need not wear  
The cloak of dignity  
To cover his human frailties.



Cynicism may be humorous  
If it does not stab  
Our emotions.

# Japan's Electric Industry

By TOSHIYÉ OBAMA

(Contemporary Japan)

**J**APAN'S first electric lamp was lit at the Tokyo University of Engineering in 1878. But it was not until a decade later that electric lighting was made available to the public.

In November, 1887, to be exact, the newly organized Tokyo Electric Light Company, Ltd., began the operation of 75 locally made arc-light machines, which supplied current on a commercial scale for the first time in Japan's history. This was two years before the promulgation of the Constitution and seven years before the outbreak of the Sino-Japanese War, when Japan emerged as an important Power in the Far East.

In September of the following year, 1888, an electric light company was established in the city of Kobe and shortly afterwards similar companies were incorporated in Kyoto, Nagoya and Yokohama. And so by the end of 1890, a total of 1,500 kilowatts was being generated by the various power houses scattered throughout the country. These enterprises all depended on coal to supply their power and it was not until May, 1891, that the first hydro-electric generating station in Japan began operation. Equipped with two 80 kilowatt hydro-electric generators, this station was built in Kyoto and utilized water drained off from Lake Biwa.

It was only after the Sino-Japanese War, however, that constructive interest began to be taken in hydro-electric power generation. This was a consequence of the post-war boom which boosted the price of coal and made coal-power generation less profitable. Considerable technical progress was made by Japan's electrical engineers and in 1899 high-tension transmission was undertaken for the first time. The Kohriyama Silk Spinning Company built a hydro-electric power station in Fukushima Prefecture, utilizing the water drained off from Lake Inawashiro, and had power at 10,000-volts transmitted over a distance of 24 kilometers to Kohriyama. This undertaking was considered at the time one of the biggest engineering feats in the world.

Since then bodies of water in geographically convenient areas were pressed into service one after another until by the end of 1907 there were in Japan 74 hydro-electric power stations—far more than the number of coal-power stations. By that time Y87,000,000 had been invested in the industry and 111 industrialists had entered the electric power field, while the amount of power being generated totalled 110,000 kilowatts. This represented an increase of more than 100 per cent over the 44,000 kilowatts produced in 1903, the year before the Russo-Japanese War, which was responsible in large part for this increase in activity in the electrical industry.

As time went on the advantages of hydro-electric generation of power came to be appreciated more generally and in 1910 the Government established a Provisional Hydro-electric Power Inquiry Board under the direction of the Minister of Communications. As a result of the survey of the water-power situation conducted by this board over the three-year period between the latter half of 1910 and the first half of 1913, the wattage of hydro-electric power increased sharply in comparison with that of the power generated by coal-operated stations, although in 1912 approximately the same amount had been produced by each method.

Many areas with extensive water power resources were developed, particularly after the outbreak of the World War in 1914. The war boom, by stimulating industrial enterprise, created a heavy demand for electric power and encouraged capitalists to invest in the fast growing power industry. Thus by the end of 1919 the total amount of power generated was 1,100,000 kilowatts, of which 700,000 kilowatts was from hydro-electric sources.

In the post-war depression period, however, the electric power industry faced a serious crisis. Because of the general curtailment of industrial activity the demand for power decreased; consequently there was a surplus until well on into 1932. The opinion that some form of planned control was necessary had meanwhile been steadily gaining ground and in the spring of 1932 an Electric Power Federation was formed, while in December of the same year a revised Electric Enterprise Law was finally enforced.

At about the time these control measures were being adopted, the gold embargo was reimposed and the resulting fall in the exchange value of the yen caused a sudden revival of industrial activity. Furthermore, the growth of the munitions industry consequent on the outbreak of the Manchurian incident brought about such a demand for power that the long standing problem of a surplus was very soon disposed of.

Later, once the campaign against the Chiang Kai-shek régime had been started in July, 1937, there was a tremendous increase in the demand for power. Over the three-year period during which the China affair has been in progress, the development of the munitions industries has been enormous, and parallel with this development there has been an ever-increasing growth in the demand for power. The following figures give some indication of how the power situation has developed. These figures only go up to the end of 1937, as since that date the authorities have not permitted publication of statistics of this kind.

WATTAGE OF POWER GENERATED (UNIT 1,000 KILOWATTS)

Year	Water power	Coal power	Total	Comparison by percentage	
				Water power	Coal power
1928	2,290	1,531	3,822	60	40
1929	2,581	1,611	4,193	62	38
1930	2,797	1,601	4,399	64	36
1931	3,056	1,599	4,656	66	34
1932	3,105	1,827	4,933	63	37
1933	3,168	1,912	5,080	62	38
1934	3,268	2,223	5,491	60	40
1935	3,407	2,638	6,046	56	44
1936	3,759	3,018	6,777	55	45
1937	3,977	3,299	7,276	55	45

As seen from the above table, the natural increase in the use of power was slowed down in 1930, as a result of the general economic depression then prevailing; but in the last few years the revival of industrial activity has had the effect of markedly stimulating the rate of increase. Over the ten years up to 1937, the total amount of power generated has increased by 110 per cent, while over the period from 1933 to 1937, there has been an increase of 48 per cent. Again, there has been, over the former period, an increase of 88 and 143 per cent respectively in the amount of power generated from water and from coal, while over the 1933-7 period the increase as regards water power has been 28 per cent and as regards coal power 81 per cent.

The following is a classified table of the wattage generated in the year 1937 (in 1,000 kilowatts).

Kind of power	Power industry	Self-generated	Total
Hydro-electric, total . .	5,707	213	5,920
Plants completed . .	3,851	125	3,977
Plants incomplete . .	1,855	87	1,942
Steam-electric, total . .	2,705	1,139	3,844
Plants completed . .	2,314	881	3,195
Plants incomplete . .	391	258	649
Gas-electric, total . .	17	105	123
Plants completed . .	17	86	103
Plants incomplete . .	—	19	19
Grand total : . .	8,430	1,458	9,888
Plants completed . .	6,183	1,093	7,276
Plants incomplete . .	2,247	364	2,611

From the foregoing it can be seen that 85 per cent of the total amount of power generated was produced by actual power concerns and that the remaining 15 per cent was produced by other industries for their own use. Hydro-electric plants accounted for 60 per cent of the total and steam and gas plants for 40 per cent. Of the power generated by the power concerns, 68 per cent was from water sources and 32 per cent from steam and gas plants, while in the case of outside enterprises which generated power for their own use the proportion was 15 per cent and 85 per cent respectively.

As for the electric lighting situation, the figures made available at the end of 1937 reveal that of 11,400 cities, towns and villages throughout the country, there were only 191 villages which did not come within the electric light supply areas either of power enterprises

themselves or of rural co-operative societies. These few villages were all situated in out-of-the-way areas or on remote islands. As shown in the following table the demand for electric lighting increased steadily over the ten-year period from 1928 to 1937. The rate of increase over the whole ten years was 46 per cent and that over the second half of this period was six per cent. At the end of 1937 the number of lamps per 100 persons averaged 66.

DEMAND FOR ELECTRIC LIGHTING (FIXED-HOUR LIGHTING)

Year	Number of households	Lamps installed	Average per capita	
			Fixed rate	Specific
1928 .. .	10,847,432	33,718,074	2.2	10.7
1929 .. .	11,170,618	35,698,311	2.2	10.6
1930 .. .	11,352,372	36,601,627	2.2	10.4
1931 .. .	11,446,539	37,170,508	2.1	10.2
1932 .. .	11,509,061	38,048,413	2.1	10.1
1933 .. .	11,383,235	38,382,771	2.0	9.8
1934 .. .	11,715,694	40,532,219	2.0	9.9
1935 .. .	11,948,953	42,477,828	2.0	9.7
1936 .. .	12,176,098	44,405,699	2.0	9.6
1937 .. .	12,568,725	46,969,219	2.0	9.5

The number of electric lamps distributed at the end of 1937 among the 145 cities of Japan, including the six principal cities, may be tabulated as follows :

City	Number of households	Lamps installed	Average per household
Total for 145 cities .. .	4,927,191	26,671,259	5.4
Tokyo .. .	1,249,832	8,368,934	6.7
Osaka .. .	580,199	3,078,773	5.3
Kyoto .. .	227,149	1,904,153	8.4
Nagoya .. .	248,571	1,229,431	4.9
Kobe .. .	201,742	1,132,192	5.6
Yokohama .. .	163,497	744,007	4.6
Total for six cities .. .	2,670,990	16,457,490	6.2

Comparing the percentage of lamps operated on the fixed rate system with the number operated on the specific system on the basis of the wattage consumed, we get the following table :

Year	Fixed rate	Specific	Total number of lamps
1928 .. .	65	35	100
1932 .. .	56	44	..
1935 .. .	48	52	..
1936 .. .	46	54	..
1937 .. .	43	57	..

These figures show that there has been a sharp yearly increase in the supply of electric light according to the specific wattage system. The reason for this is not hard to find ; the specific system is after all more rational and economical than the fixed rate system.

Simultaneous with the increase in demand for electric lighting there was an even more marked increase in demand for power to be used as a motive force, in the electro-chemical industry and for generating heat. The following table shows how the consumption of power for these purposes jumped over the period from 1929 to 1937. The increase over the whole period was 140 per cent and over the 1933-1937 period 61 per cent.

Year	Establishment using power	Kilowatts consumed
1928 .. .	442,351	1,963,370
1929 .. .	501,996	2,269,988
1930 .. .	585,087	2,347,881
1931 .. .	693,213	2,650,524
1932 .. .	820,436	2,787,354
1933 .. .	1,117,112	2,968,927
1934 .. .	1,181,715	3,205,114
1935 .. .	1,321,597	3,538,822
1936 .. .	1,605,553	3,950,180
1937 .. .	1,757,436	4,473,510

The capital invested in and profits derived from electric enterprises at the end of 1937 may be tabulated according to the class of industry as follows (in Y1,000) :

Class	Total capital	Capital paid up	Fixed capital	Loans and debentures	Profits	Percentage of profit to capital paid up
Electric enterprises : total ..	5,667,930	4,515,847	6,185,858	2,266,113	306,870	6.8%
(1) Electric supply business: general ..	2,801,121	2,174,161	2,989,577	1,306,532	177,753	8.2%
(2) Electric railways ..	705,754	534,703	858,940	338,201	16,745	2.6%
(3) Business supplying (1) and (2) ..	424,632	314,121	408,905	139,732	14,024	4.5%
(4) Business combining (1) and (2) ..	1,730,422	1,487,461	1,920,627	480,442	98,146	6.6%
(5) Business combining (2) and (3) ..	6,000	5,400	7,807	1,200	204	3.8%

The electric power industry in Japan is being operated at present under rigid State control. All generation and transmission of power is in the hands of the State managed Japan Electric Generation and Transmission Company which was specially organized for the purpose, so that the only field now open to private enterprise is that of distribution.

This State controlled concern, the Japan Electric Generation and Transmission Company, was formed by the compulsory pooling of all power plants of any type generating more than 10,000 kilowatts and of all main transmission and transformer facilities. Capitalized at Y740,000,000, it possesses a transmission network extending over 7,000 kilometers, coal-power stations generating 1,800,000 kilowatts, or 80 per cent of the total amount of power generated in Japan by this method, and hydro-electric generating stations producing 2,300,000 kilowatts, or 60 per cent of the total amount of power generated by this method, including power generated for its own use.

Backed by the Electricity Board of the Communications Ministry and invested with authoritative powers, the Japan Electric has been held up as an example of what might be accomplished under the so-called renovation industrial policy. The recent serious hitch in the supply of power in this country, however, exposed the fundamental weakness of this concern, namely its dependence on bureaucratic administration through its relation with the Electricity Board. Bureaucrats are notoriously prone to lack the necessary understanding and experience of actual economic conditions ; they tend to place too much reliance on paper plans in disregard of practical exigencies as was proved in the latter part of last year and early part of the present year, when Japan suffered a serious power shortage largely owing to the inexperience of the bureaucrats in charge of power supply planning.

The principal direct cause of the shortage, to be sure, was the unprecedented drought. The supply of water for power generating purposes ran low, but to make matters worse there was insufficient coal available to supplement the available water power with steam or gas-power. Coal was running short on account of the general industrial boom accompanying the intense activity in the heavy, chemical and electrical industries as a result of the China affair. While in 1932 the demand for coal amounted to only 27,432,000 metric tons, it increased at the rate of 3,000,000-4,000,000 metric tons yearly, until in 1937, the year of the outbreak of the China affair, it was 46,732,000 metric tons.

Up till the end of 1938, however, there was little interruption in the supply of even this huge amount of coal, the smelting industry being the only one to feel the pinch in that less coal was available for conversion into coke. But in 1939 the increase in coal consumption by the munitions industries, which take priority over other industries, began to react adversely on the latter. Moreover, less coal was being mined because of the shortage of labor and materials used for constructive purposes in coal mines.

All this had its effect on the electric power industry, which consumed 2,878,000 metric tons of coal in 1935, 3,174,000 metric tons in 1936 and 3,582,000 metric tons in 1937. And this year it is expected that some 6,800,000 metric tons will be consumed. It became impossible for the mines to keep up with the steadily increasing demand for fuel to generate power ; therefore the power famine was felt most acutely in the Chugoku and Kansai areas where the particular severity of the drought resulted in the greatest demand for coal.

To combat the power shortage, voluntary curtailment in the use of power was urged as an emergency measure, but the shortage of fuel was too severe to admit of any effective adjustment in the power supply by voluntary action. And so finally in February of this year the Government promulgated an Electric Power Regulation Ordinance and enforced strict regulations limiting the consumption of power. The rate of curtailment was set for the period from February 10 to the end of March at 30 per cent for the Kanto and 35 per cent for the Kansai. As the distribution of coal became smoother, however, it was found possible to ease these restrictions. Thus beginning February 20, the rate of the curtailment was lessened to 20 per cent on the average for both the Kanto and Kansai, while after March 15, it was further eased to an average of 10 per cent for both the Kanto and Kansai. It is now expected that the restrictions will be totally lifted before long.

In the early stages, the coal shortage just described did not necessarily indicate a shortage in the absolute quantity of coal

(Continued on page 352)

# Regional Monroe Doctrines and the Nine Power Treaty

(*Sakutaro Tachi, KK.D., author of the following article, is a member of the Imperial Academy, member of the Permanent Court of Arbitration, Japan's highest authority on international law and a distinguished writer. He has lectured many years at Tokyo Imperial University.*)

By SAKUTARO TACHI

**G**HAT authoritative quarters in the United States have come to entertain new views concerning the Monroe Doctrine is the opinion formed by the writer after having read in the *New York Times* an explanation given by the White House Secretary, Stephen Early, regarding the espousal by President Roosevelt of what may aptly be described as the principle of regional Monroe Doctrines. The writer proposes therefore to examine in the following paragraphs the relation between this new interpretation of the Monroe Doctrine and the Nine Power Treaty.

According to the *New York Times*, Mr. Early said as follows :

Let all of them settle their disputes in Asia and Europe, and let all the Americas settle the question of disposition, administration and supervision of such islands or other territorial possessions belonging to nations conquered by Germany, and which lie properly within this hemisphere. There is an absence of any intention on the part of the Government to interfere in any territorial problems in Europe and Asia.

This Government would like to see and thinks there should be applied a Monroe Doctrine for each of those continents. The United States is not out to gain any new territorial possessions. It does not contemplate any territorial expansion. But, for example, should a victorious Germany lay claims to territories of conquered nations in this hemisphere, we hold that the issue comes within the province of the Monroe Doctrine ; we hold that it works in this way. The United States does not take over the islands or territorial possessions of the conquered nations. But it believes and holds the position that their disposition and administration should be decided among and by all of the American Republics, as an example of practical application of the policy the President had outlined a short time before. This Government would ask no voice in the disposition of French Indo-China because of its place in the sphere of Asiatic influence. For instance, in the case of French Indo-China, we think the disposition should be decided among the Asiatic countries.

In connection with this explanation, the writer would like to draw special attention to the following three points. Firstly, according to the authoritative interpretation long put upon it in the United States, the Monroe Doctrine was considered to be an expression of the national policy of the United States with regard to the American continents. President Roosevelt, however, has chosen to interpret the Monroe Doctrine as being an expression of the common policy of, and a basis for collective action by, all the countries of these continents.

Secondly, in the name of the Monroe Doctrine, the United States has hitherto endeavored to prevent any new extension to the Western Hemisphere of the political influence of those Powers which lie outside of the Americas. Even in the case of those parts of the American continents already constituting either colonies or possessions of some European Powers, the United States maintained in the name of the doctrine its attitude of opposition, on a number of occasions, to their transfer to any other non-American Power. Generally speaking, the attitude of that country toward the acts of non-American Powers has been of a preventive nature. But President Roosevelt has now come forward with a positive claim that the question of disposition, administration and supervision of such islands or other territorial possessions as belong to nations conquered by Germany, and as lie properly within the Western Hemisphere, should be settled by and among the countries of the American continents.

At the Havana Conference on July 30, the delegates of the American Republics signed three proclamations of which one had to do with "Pan-American consultation over the permanent

disposal or temporary management of the European belligerents' territories in the Western Hemisphere." This fact lends additional significance to the new interpretation of the Monroe Doctrine advanced by President Roosevelt.

Thirdly, in its assertions of the Monroe Doctrine in recent years, the United States has endeavored to prevent any new extension of the political influence of non-American Powers to lands and islands forming part of the North or South American continent or belonging to the Western Hemisphere ; and through broad interpretations of the doctrine it has attempted to impose restraints of various kinds upon the actions of non-American Powers regarding the American continents. On the other hand, however, that country has acted without restraint in interfering with the affairs of other continents, with the result that the Monroe Doctrine has come to assume a purely arbitrary and unjust aspect. Now, however, President Roosevelt has shown himself disposed to recognize with regard to Europe and Asia a regional principle similar in nature to the Monroe Doctrine as enforced by his country with regard to the Americas. Let us now consider the above three points in order.

(1) The theory that the Monroe Doctrine is a common principle of the various countries of the American continents has been advanced by not a few scholars and statesmen in the past. The United States governmental authorities, however, have maintained until recently that the Monroe Doctrine is purely a principle of their own national policy\* to be maintained by virtue of the power of the United States. They have asserted that their government is solely responsible for the definition, interpretation and application of the Monroe Doctrine,† and refused to countenance any interference from any other country or any international court.‡ That the Monroe Doctrine has been unfit to be considered as a principle of international law§ is largely due to this fact.

According to Mr. Early's explanation, President Roosevelt holds that the question of disposition, administration and supervision of such islands or other territorial possessions which belong to nations conquered by Germany, and which lie properly within the Western Hemisphere, should be settled among and by all of the American Republics. This must be considered as a different interpretation of the Monroe Doctrine from the authoritative interpretation hitherto given to the effect that the doctrine constitutes a principle of policy of the United States.

(2) The substance of the Monroe Doctrine has changed in the past as occasions demanded. Originally, however, the doctrine was aimed, with reference to the question of land acquisitions, at nothing more than the prevention of non-American countries from acquiring land on the American continents through colonization. But as time passed, its meaning was extended to oppose any form of acquisition of land on the American continents by non-American Powers, regardless of whether or not such acquisition was based upon an accord for cession between a non-American Power and an American country or a non-American Power having

\*In his speech delivered before the Pan-American Scientific Conference on January 3, 1916, Woodrow Wilson, then the President of the United States, asserted that the Monroe Doctrine was proclaimed by the United States by virtue of the latter's own authority and would always be maintained on the sole responsibility of the United States (*Pan-American Union Bulletin*, Vol. 42 [1916] p. 2.)

†The fact that the Monroe Doctrine constitutes a rule of policy of the United States was explained by ex-Secretary of State John W. Foster in his book, *A Century of American Diplomacy* (*Ibid.*, p. 475).

‡In the words of Charles E. Hughes given under Note 4, it is claimed that the Monroe Doctrine is the policy of the United States.

§While Charles E. Hughes was Secretary of State, he declared in a speech that, since the Monroe Doctrine was the policy of the United States, that country reserved to itself the definition, interpretation and application of the doctrine (Blakeslee : *Recent Foreign Policy of the United States*, p. 90).

a colony on the American continents. This has since come to be known as the Polk corollary.\*

Even when the Monroe Doctrine was thus widely interpreted, its purpose was limited to the preventing of non-American Powers from acquiring land on the American continents. Never before has so positive an assertion been made as this one to the effect that, with regard to the colonies of non-American Powers on the American continents, the United States or the American Republics, including the United States, should settle the question of their disposition, administration and supervision in a war involving such non-American Powers. The new interpretation of the Monroe Doctrine made by President Roosevelt is thus at variance with the interpretations hitherto upheld.

What has been referred to under sections (1) and (2) may be regarded as coming within the purview of the new interpretation made by President Roosevelt. But the matter to which the present writer wishes to call the reader's special attention is given under section (3) below.

(3) When the Monroe Doctrine was proclaimed by President James Monroe in 1823, its primary purposes were to prevent European Powers from intervening in various parts of the American continents which were becoming independent of the rule of Spain and Portugal (the principle of non-intervention), to prevent European Powers from establishing colonies on the American continents (the principle of non-colonization), and thereby to prevent the political influence of Europe from being newly extended to the American continents; and at the same time it was decided that the United States should not intervene in the affairs of Europe (the principle of isolation). Thus at its inception the Monroe Doctrine contained, as a principle of reciprocity or compensation, for the two major principles calling upon European Powers not to extend their political influence in connection with the affairs of the American continents, the principle of non-intervention in European affairs on the part of the United States. It may, therefore, be said that some ground existed for the justification of the doctrine from the standpoint of equity,† apart from the question of its legitimacy according to international law. Later, however, the said two important principles of the doctrine came to be asserted also in relation to Japan, a country in East Asia, not to mention their continued application to European countries. Moreover, the United States has claimed in China the validity of the principle of the Open Door and the closely related principle of territorial integrity. Besides, it has interfered without scruple in various affairs of East Asia where Japan, for reasons of territorial propinquity and other circumstances, has vital interests. The attitude of the United States is thus to restrain Japan's actions on the American continents where the United States claims to have paramount interests, while it refuses to accept restraint in East Asia where Japan's vital interests lie. The Monroe Doctrine, therefore, can be considered to have degenerated, to say the least, into an arbitrary and selfish doctrine so far as its application to Japan is concerned. There are no longer any grounds for its justification from the viewpoint of equity. There are some among the scholars in the United States who have already admitted the truth of the view expressed above. The fact is universally recognized that the United States, while preventing intervention of European Powers in the affairs of the American continents, is disposed to intervene in those of Europe, thereby losing claim to the justification of the Monroe Doctrine from the standpoint of equity.

Now that President Roosevelt has expressed the desire of the United States Government to see a Monroe Doctrine, similar to that claimed for the American continents, applied to Asia and Europe, the shortcoming of the Monroe Doctrine of recent times in respect of equity can be considered as remedied. The question at once arises, however, as to what effect apparent recognition by President Roosevelt of a doctrine for Asia similar to the American Monroe Doctrine will have on the situation in East Asia.

President Roosevelt's interpretation is that the United States regards the Monroe Doctrine as a principle common to itself and other American Republics, that if Germany wins the present war in Europe and lays claim to the islands and territorial possessions of its enemies in the Western Hemisphere, the issue will come within the province of the Monroe Doctrine, and, therefore, that although the United States will not claim for itself such islands and territorial possessions, it would decide on their disposition together with

other American countries. He has recognized for Asia and Europe a regional principle similar to the Monroe Doctrine claimed for the Americas. This attitude means that the Monroe Doctrine has been provided with a basis for its moral justification, or rather for the restoration of such justification. Mr. Early's explanation has indicated, for instance, that the Government of the United States would ask no voice in the disposition of French Indo-China in connection with the current war. But, if the United States really recognizes a regional principle in Asia similar to the American Monroe Doctrine, it should not confine its practical application to the disposition of French Indo-China alone; it naturally ought to leave the eventual settlement of the disposition, administration and supervision of the territory of China to the decision of the countries of Asia in a similar way to that which President Roosevelt advocates for the American Republics with respect to territorial questions. The United States should frankly recognize the principle that non-Asiatic countries should not intervene in these Asiatic affairs and itself refrain from any interference.

The main stipulations made in the Nine Power Treaty regarding China are those pertaining to the principles of the Open Door and territorial and administrative integrity. The Open Door principle has been chiefly advocated by the United States since the Hay Notes of 1899. In order to obtain markets in China for its commerce and industries, the United States, along with Great Britain, endeavored to make the Powers† agree to give full play to the principle of Equal Opportunity in the spheres of influence or interest of the Powers in China. The application of the Open Door principle to all China was recognized by the Washington Treaty of 1922, with China newly participating in the agreement. However, the parties which were principally concerned were eight contracting parties

\*In his message to Congress on December 2, 1845, President James K. Polk explained the claim for the broad interpretation of the principle of non-colonization contained in the Monroe Doctrine, declaring that the United States would be opposed to the acquisition without its approval of any territory on the American continents by any European Power. This declaration has since been known as the Polk corollary of the Monroe Doctrine, as above mentioned, and recognized as part of the said doctrine by Elihu Root and Charles E. Hughes.

Subsequently, President Ulysses S. Grant, in his Congressional message in 1869, took the stand that a transfer of Spanish territories in the Western Hemisphere to other non-American Powers should no longer be recognized. In the following year when Italy was reported to be trying to obtain by transfer the Swedish colony of the St. Bartholomew Islands, President Grant expressed it as his view that, quite regardless of the methods employed—war, colonization or annexation—or regardless of the inclination of the inhabitants of the land in question, no European Power should be allowed to acquire any land on the American continents.

†As already explained, the Monroe Doctrine has been recognized as a principle of policy of the United States maintained solely by that country's power and strength. Various theories have been advanced, however, for affording it a legal basis under international law. Some of them claimed the right of self-defence, others the right of self-preservation, and still others the right of self-protection. Elihu Root, who was at one time the Secretary of State, stated, in his address before the conference of the American Society of International Law, held in 1914, that the Monroe Doctrine was derived from the principle of self-defence ("The Real Monroe Doctrine," *Proceedings of the American Society of International Law*, 1914, p. 11). In the report of the Senate regarding the Treaty for the Renunciation of War, it was held that the United States regards the Monroe Doctrine as integrally connected with national security and defence and also as constituting a part of the system of national defence within the radius of the right of self-defence recognized under the said treaty.

Senator Cabot Lodge and Elihu Root maintained that the Monroe Doctrine is based on the great law of self-preservation (Higgins: *The Monroe Doctrine: British Year Book of International Law*, 1924, p. 114).

Root held also that the doctrine has its basis in the right of self-protection of a State (*Proceedings of the American Society of International Law*, 1914, pp. 11-12).

As for the value of the Monroe Doctrine in international law, the writer wishes to refer readers to his article entitled "Monroe Doctrine Re-examined" which appeared in the December, 1937, number of *Contemporary Japan* (Vol. VI, No. 3, pp. 446-451).

‡In 1898, Sir William Harcourt declared in the British House of Commons that the policy of the Open Door is one that demands the Powers which have occupied territories in China to keep open the doors of such territories as China used to do before. In a letter sent to the British Government by the United States Minister at London on September 21, 1899, it was stated that the Open Door policy assured equal treatment to the commerce and navigation of all nations in the spheres of influence or interest of the Powers. At the time of the so-called Hay Notes, the scope of application of the Open Door principle was confined to the areas in China which had been actually occupied by the major Powers in the name of leased territories, concessions or others. That China was not a party to such an agreement was, of course, quite natural.

other than China.\* Under the provisions of the Nine Power Treaty China undertook to be guided by the Open Door principle in dealing with applications for economic rights and privileges from Governments and nationals of all foreign countries, whether parties to this treaty or not.

In the Nine Power Treaty itself, China is not given the status of a primary party in connection with the Open Door principle.† And as the purport of that principle was not to recognize in the field of commerce and industry the existence of any special or privileged position of any Power whatsoever in no matter what part of China,‡ the countries placed under the practical restraint of this principle, have, with the exception of China itself, been limited to those in a position like Japan's which has, by virtue of its territorial propinquity and other natural circumstances, preponderant natural interests in at least some parts of China. As for China, that country, having undertaken obligations under the treaty to be guided by the Open Door principle, is legally bound chiefly by non-Asiatic Powers to accord equal treatment to all nations in formulating its economic policy. The Open Door principle has, therefore, turned out to be a noxious one, imposing unilateral restraint upon China as to its economic policy, while the Powers outside of Asia are not similarly bound to observe reciprocity in their relations with China.§ The Open Door principle stipulated in the Nine Power Treaty has proved in effect a means by which non-Asiatic countries, especially the United States and Great Britain, sought to restrain Japan and China. In short it has been converted into a pretext for those non-Asiatic Powers to exploit, and interfere with the affairs of Asia. This principle is closely related to the principle of territorial integrity,¶ which will be dealt with later. Despite the appearance of its purely economic nature, the Open Door principle is accompanied by political considerations of various kinds in its application. Therefore, if the United States would truly recognize, as recently explained by Mr. Early as the opinion of President Roosevelt, regional principles similar to the Monroe Doctrine which the United States asserts for the American continents in its relations to non-American Powers, then the Open Door principle stipulated in the Nine Power Treaty becomes inconsistent with such regional principles and devoid of its *raison d'être*.

The provisions with regard to respecting the sovereignty, independence, and territorial and administrative integrity of China in Article I (i) of the Nine Power Treaty, when correctly interpreted, are mostly declarations of proper principles of international law. In so far as they are so interpreted, there is no necessity for specifically mentioning them in a treaty. To specify them as an agreement with non-Asiatic Powers would only serve to afford an excuse to those Powers to intervene in the affairs of Asia, and is quite contrary to the purpose of the regional principle to be recognized with respect to Asia along the lines of the Monroe Doctrine as claimed for the American continents. Moreover, since the terms, sovereignty, independence and administrative integrity, are susceptible of various different interpretations,\*\* their provision in the Nine Power Treaty is all the more dangerous in that it strengthens the pretext for intervention in Asia. According to the spirit of recognizing the regional principle for Asia, such provision must be promptly terminated. If, as stated by Mr. Early in his explanation of President Roosevelt's opinion, the American Republics should assume the right to settle the question of the disposition, administration and supervision of such islands or territorial possessions in the Western Hemisphere as belong to nations conquered by a non-American Power, and if the application of a principle similar to this is admitted for the Asiatic continent, then the provisions of the Nine Power Treaty affording a pretext to its contracting parties composed chiefly of non-Asiatic Powers for interference with the question of Chinese territory must be considered as deprived of their *raison d'être*. As regards the question of the Nine Power Treaty losing its validity under the principle of *rebus sic stantibus* or on other grounds, the writer shall not attempt any discussion here.

\*Regarding the Open Door principle in China (see Article I [3] of the Nine Power Treaty), and the principle of respecting the territorial and administrative integrity of China (see Article I [1]), Article I of the Nine Power Treaty provided in its principal sentence that "the Contracting Parties, other than China, agree." This clearly indicated that these principles were agreed upon between the eight signatory Powers, excluding China.

†Refer to Note 9. According to Article I (3) of the Nine Power Treaty dealing with the Open Door policy, the Contracting Parties, other than China, agreed "to use their influence for the purpose of effectually establishing and maintaining the principle of equal opportunity for the commerce and industry of all nations throughout the territory of China." But the phrase "all nations" has been interpreted as not comprising the Chinese nation. If

the Chinese were included in the term "all nations," any commercial or industrial right or privilege which the Chinese authorities might confer upon Chinese nationals would have to be participated in by all foreigners. In view of those facts, the agreement on the Open Door principle in the Nine Power Treaty, as clearly indicated by the principal sentence of Article I, may be taken to mean an agreement between the signatories of the treaty with the exception of China.

‡Under Article I (3) of the Nine Power Treaty it was agreed that the Contracting Parties, other than China, use their influence for the purpose of effectually establishing and maintaining the principle of equal opportunity for the commerce and industry of all nations "throughout the territory of China."

§A distinguished Sinologue, Johnson Long, in his *La Mandchourie et la Doctrine de la Porte Ouverte*, maintains that the Open Door principle contains the two principles of Equal Opportunity and of respecting the sovereignty, the independence, and the territorial and administrative integrity of China. Therefore, he says, China is disqualified by the principle of Equal Opportunity from discriminating in the treatment of various nations in matters of commerce and industry. And since such restriction upon China is not reciprocated by a similar obligation on the part of other Powers, the so-called Equal Opportunity principle does not, in view of China's status, afford a real equality of opportunities. Mr. Long, therefore, concludes that the said principle is one which is against justice, sacrificing as it does China's interest for the benefit of other countries (*ibid.*, pp. 98, 99). Mr. Long also holds that the principle of Equal Opportunity is nothing more than an application to domains of economy of the famous principle of the balance of power, which is a political system and not a principle of law (*ibid.*, p. 98).

¶The number of those who hold the opinion that the Open Door principle in China contains the principles of equal opportunity in commerce and industry and of respecting China's territorial integrity is by no means small. The following are some of them. Willoughby: *Foreign Rights and Interests in China*, 1927, p. 65. Morse and MacNair: *Far Eastern International Relations*, p. 128. Johnson Long: *La Mandchourie et la Doctrine de la Porte Ouverte*, 1933, p. 63.

The writer of the present article is in agreement with the prevalent view that the Open Door principle, instead of containing the two principles of commercial and industrial equality of opportunity and of territorial integrity, is nothing more than the principle of Equal Opportunity in commerce and industry. The purpose of the Open Door is to apply the principle of equal commercial and industrial opportunity in the wide area of China. However, when any other country acquires a part of Chinese territory, such a purpose will be frustrated in so far as it concerns that portion of territory. It is only natural, therefore, that China's territorial integrity should be sought in order that the Open Door principle may be carried out to the full.

\*\*As for the various interpretations given to the terms sovereignty and independence, they are discussed in the book which the writer published in Paris in 1930 under the title of *La Souverainete et l'Indépendance de l'Etat et les Questions intérieures en Droit international*.

As for the phrase "administrative integrity," it has not yet been formally adopted in international law, and its meaning is by no means definite and clear. The use of such a phrase with reference to a country like China, with no practical administrative unity throughout its territory, should be considered as having only a relative meaning.

## Japan's Electric Industry

(Continued from page 349)

available; it merely showed, in my opinion, that the executives of the Japan Electric were unable, because of excessive interference on the part of the bureaucrats of the Electricity Board, to make the arrangements they might otherwise have made to ensure an adequate supply of coal. The coal they required was bought up at prices that would never be sanctioned by the Government and all they were able to get was poor quality fuel generating only 2,000-3,000 calories or less, and of such high ash content that boilers in the power stations were frequently damaged. And even this poor quality coal could not be obtained in any large amounts.

The evils of bureaucratic management were severely criticized in the seventy-fifth session of the Diet and the authorities were able to put their finger on the sore spot. The incoming Commerce and Industry Minister, Mr. Ginjiro Fujihara, a veteran businessman, was able to bring home to the authorities the need for increasing production in the mines and for providing better means of distribution. The Government, therefore, presented to the Diet and had adopted a bill authorizing the establishment of a corporation to control coal distribution and subsidize the mine owners. The worst appeared to be over and the electric power industry was at last able to breathe freely again.

The Electricity Board, too, has come to see the imperative need of exploiting additional water power resources and of erecting more coal power plants. It is also considering the absorption of the power distribution business by the Japan Electric Generation and Transmission Company. These measures are expected to remove any fear of an interruption of the supply of power in the future and to have the effect of restoring the tempo of industrial expansion which was temporarily retarded by the power shortage. Once again the well-modulated humming of turbines will provide a satisfying accompaniment to Japan's constructive activities in East Asia.

# The Crisis in the Pacific

By WILLIAM HOSOKAWA

**A**MERICAN-JAPANESE relations are closer to rupture to-day than ever before. This is a tremendously far-reaching statement, for although the two nations have never been at war in all their 87 years of contact, there have been times especially in the last decade, when breaks seemed perilously close. But, the evidence is here, in evacuating Americans and in screaming headlines.

War can lead only to a long period of chaos out of which will emerge no good to anyone, no decisive development which will settle Far Eastern problems, and no basis for either a logical or lasting peace. However, should a frontal clash be averted again in this crisis as it has been averted in every previous crisis, there is reason to believe American-Japanese relations will proceed on a new basis of understanding, a fundamental necessity in international relations which has been lacking from the Pacific scene for the last two decades at least.

Hope lies in the United States working out of the present crisis a practical, realistic, consistent and popular foreign policy, something more positive than mere maintenance of a defunct *status quo*, to govern her activities in the Far East. Despite what American politicians may aver, there has been no clear-cut statement of intent regarding the Orient. The manner in which American policy has been implemented has changed with passing administrations, and succeeding administrations often have worked at cross purposes. The policy also has been confused. It has been imperialistic at times, and those chapters are glossed over lightly when they become embarrassing. At other times the United States has tried to take the lead in the Far East by setting up a standard of moral conduct. This was approved by the satiated imperialists, but there were not the ways and means to enforce observance of those standards by those not yet satiated. But most important, the new policy must decide whether or not to recognize the realities of what has already taken place in a dynamic way, namely, Japan's position as top-dog in Asia. Like it or not, it is a *fait accompli*. If it is to be recognized as such, in what manner? And if it is not to be recognized, what is the United States going to do about it?

The defiant words heard on both shores of the Pacific to-day are more hysterical than historical, more ranting than reasoning, more impassioned than intelligent. Under the present state of world affairs those inflammatory words may provoke the most senseless, useless, indecisive conflict in history. But, it is to be hoped, cold reason plus the reality of those factors which can never be disregarded in war—geography, finance, military preparation—may prevail and peace be preserved on a sound footing.

## Both Powers Oppose War

Surely, neither America nor Japan is seeking an open break. Despite what the hot-heads may shout, there is no conceivable gain to be realized from a conflict which will cost immense treasure in men, money and materials, and paralyse trade for years to come on the world's broadest ocean. The danger at this stage is that the fighting talk being bandied across the Pacific will reach such a heat that one mistake, or perhaps even the inertia set up by the hot language itself, will drag the nations into war willy-nilly. This is thoroughly possible because in addition to the certain amount of bluff being displayed by both sides, there is apparently a genuine willingness to back the bluff with action if need be.

The American-Japanese issue in the Far East has been growing for years in spite of a comparatively minor clash of material interests. There is no need to trace it historically here, but it may be pointed out that the issue may have been one between Britain and Japan instead of the United States had Uncle Sam played a less dominant rôle on a scene where his commercial interests are approximately one-twelfth those of Great Britain. The shrewd British policy is now paying big dividends to a nation hard-pressed in Europe and in no position to force the issue in the Far East. The swift movement of events the last few years, and now the European war have

served to bring the Far East question to a head earlier than might have occurred under more normal world conditions.

The immediate reason for the new crisis was Japan's signature of the political, economic and military alliance with Germany and Italy. The pact was signed obviously to protect the Rome-Berlin Axis from American entry in the European war on Britain's side, with a war in the Pacific standing as a threat. The agreement was worded in such a way that the initiative was left with the opponents of the Tri-Power Pact. Japan's part in the accord does not become fully operative until another power, America, enters the war in opposition to Germany and Italy. America, it seems, was quick to interpret the pact as meaning that Japan was seeking to oppose the United States openly and directly, that she was at last seeking a showdown in the Pacific.

For Japan the pact had other significance. It meant that Japan, deeply involved in China, frowned upon by Britain, vigorously and persistently opposed by the United States in a program which means her national existence, menaced constantly by Russia, had to have and did sign up a pair of friends. Japan tried, in her own way, to seek the understanding and support of, or at least non-interference with her program by Great Britain and the United States. It was an impossible task for many reasons both material and moral, and not the least of them is the disinclination of nations as well as men to give up what is already in their hands. With Britain under duress in Europe, London was in a listening mood. Japan made some headway, and might have made more. But the United States was in no such disadvantageous position. America abrogated the trade treaty, placed embargoes on scrap iron, aviation gasoline, machine tools, dispatched the fleet to Hawaii, admitted negotiation for use of the naval bases in Singapore and Australia, appeased Soviet Russia and discriminated in her favor, granted loans to China, issued numerous sharp warnings through Cordell Hull and the State Department. In the words of the *Japan Times*, it was "threat, threat, threat and that is the whole story of America in the Pacific since September, 1939."

## Only One Course to Take

Cabinets had fallen over their inability to end the China hostilities and find friends abroad. Thus, after Foreign Minister Matsuoka's declaration that he was through trying to make friends with nations which did not want to be friendly, an alignment with those powers which would reciprocate Japanese gestures was only a natural sequel.

Let us examine the basis for America's Far Eastern policy. So far it shows evidence of having been built on a great deal of idealism, with shocking little regard for realities. The same sort of psychology is found to-day when Americans are positive that assistance to Britain by "all measures short of war" can stop at that mark and not possibly end up ultimately with American men being sent overseas again. The same idealism could not see that the Nine-Power Pact dealing with China, signed in 1922, was no longer effective 15 years later when Soviet Russia, not a signatory, had risen out of post-revolution chaos to become an imperialistic-minded nation and next to Japan the country most interested in the Far East. This idealism, strengthened by well-meaning groups such as missionaries and the masses of sentimental but uninformed people, sought to apply American standards to a vastly different Far Eastern scene.

For instance, certain pinkish pressure groups in seeking sympathy for China exploited the conception of a "great sister republic across the sea" fighting to "preserve democracy." The good Dr. Sun Yat-sen had some wonderful ideas for his country, but the China of to-day is by no means the China of Dr. Sun's dreams. China is no republic except in name, and foreigners in that country know the fallacy of the over-taxed catch-words. Democracy for China is an impossibility until the basis for it is laid through the creation of an enlightened electorate. Such an enlightened

electorate, which would take an interest in government affairs, and which would be capable of making its own decisions, is something any foreigner closely associated with the Orient cannot vision for decades to come. An overnight transition from the old China fundamentally unchanged for 5,000 years to a China of 20th Century democratic concepts by the simple adoption of a few rules and formulas is an all too obvious impossibility. In the rush to make a fetish of democracy against the rise of totalitarianism, democratic slogans regarding China were amazingly successful in lining up American opinion. The growing American national consciousness of overseas affairs was dominated by idealistic concepts rather than practical ones.

### In Splendid Isolation

In the same way the United States spent most of her time building up the world's highest living standard instead of spending staggering amounts of the national income on armaments. She liked her butter, and did not see any sense in giving it up for guns which appeared to be quite superficial to her national life. Thus while the United States prospered and grew and built up the world's greatest gold reserve, her defence weapons had not grown in proportion to her national stature in the new weapon-conscious world that grew out of 1914-18. Only within the last few months, after Hitler's Blitzkrieg tactics had struck home the progress that the science of war had made, did America wake up. The present stupendous naval and aerial building program and military conscription is a belated attempt to build United States defenses up to a standard in keeping with American influence and responsibilities.

Long before the hurried re-armament drive can produce results, however, the idealistic American policy has led to certain great commitments. Under the provisions of the Havana Conference, the United States is committed to bear the burden for the defense of the Western Hemisphere, a vast area from Point Barrow in Alaska to Cape Horn at the southernmost tip of South America and the adjacent oceans. Other pronouncements take in great sections of Asia, the scattered archipelago of the Netherland Indies, perhaps even the Antipodes. They extend so far that other nations have asked cynically what authority or business is it of Uncle Sam to police the whole world.

We do not wish to argue here the moral right or obligation of the United States to police the world, or East Asia or any area outside the sphere of influence as put forward in the Monroe Doctrine. What we wish to emphasize is that American idealism has led to a policy of official scolding, criticizing and tut-tutting backed by little more than moral force. Theodore Roosevelt's classic axiom has been reversed, and the United States has been speaking in a loud voice while carrying a willow wand instead of a big stick.

There is little doubt that the United States could make good her commitments in any one particular area. It is likely that her strategists consider an ultimate victory over Japan assured although a quick triumph is entirely out of the question. It will be costly, for the United States would have to make full use of her advantage in naval tonnage and material resources in order to overcome the disadvantage of seeking out the opposition fleet and fighting in waters far from the main sources of supply. But under the present set-up a diversion in one locale is the signal that it will be carried over into another area. The Tri-Power Berlin-Rome-Tokyo pact takes care of that. And recent comment in the United States seems to reveal increasing awareness that while American interests in the Far East are important, there are still more important and fundamental issues at stake on the Atlantic frontier.

### An Expert's Estimate

Up to very recent times it appeared that the possibility of having to fight a war on both coasts was a situation that many failed to comprehend fully, or comprehending, failed to recognize. Such a confirmed realist as Rear-Admiral Yates Stirling, Jr., retired, knows and recognizes what such a situation means. In a widely circulated newspaper article, Admiral Stirling considered the various means by which the United States might frustrate Japan's plans and concluded that every effective method, including embargo, would lead to war. Thus, he says, "there is the choice of either going to war with Japan or leaving her strictly alone in the Far East. It seems wiser to hold our fleet ready to go to England's support in the Atlantic and not become involved with Japan in an area of her

own choosing. This thought counsels that our naval strategy in the Pacific must remain defensive. Our important naval task is to prevent a British naval defeat."

Let us now suppose that despite all efforts the two nations do go to war. It is likely to be the strangest sort of war ever fought, for there is no common battleground. A Japanese invasion of the Western Hemisphere is out of the question. Japan might possibly strike toward the Philippines, and Burma, the Netherland Indies, and Malaya if Britain joins the war. Her line of supplies with the Asiatic continent are invulnerable, and she could well afford to sit tight and dare the American fleet to do its utmost in starving her out. Japan's greatest strength is in being able to maintain and defend herself from well within the radius of operation of her fleet. The United States likewise need not fear an attack against her coasts for there is nothing east of the international date line that Japan could possibly take or use advantageously unless America were on the verge of collapse, and America figures to grow stronger as the war progresses. On the other hand the United States must take the offensive in order to make the war decisive. Her main base of operations would probably be Hawaii, for her Alaskan bases are still comparatively undeveloped. A screen of outposts trail out from Hawaii, but there are no major bases all the way down into Singapore. Neither Australia nor the Philippines can provide facilities to compare with Pearl Harbor or H.M.S. Sultan on the north side of Singapore Island. It appears the United States would have to control a navy vastly superior to her present one (only slightly larger than Japan's) to carry the attack into Japanese waters.

Land battles may be fought in the Philippines, Burma and Malaya. It is also likely that Britain and the United States would arm the Chinese armies and prepare Chungking forces for a major offensive along portions of the far-flung Sino-Japanese front. The experts are agreed that any Japanese military invasion of the United States is beyond the wildest dreams, simply for the reason that no fleet in existence can transport at once the men and material for an effective striking force large enough to gain and retain a foothold on United States territory.

### The Factor of Geography

In the air, Japan faces a distinct disadvantage. Her aerial arm, either in first line planes or replacements, cannot compare with America's. The crowded little islands may still be out of range of American bombers, but they are extremely vulnerable whether an invader concentrates on military objectives or casts off moral compunctions and bombs indiscriminately. The United States, on the other hand, is singularly fortunate. An invader would have to set up bases in Alaska, Canada or Mexico, or get its aircraft carriers close to shore, and that is not going to happen until the American fleet is at the bottom of the Pacific. Even after those bases were set up and America's own defensive air force emasculated, the United States present a tremendous area with the most valuable objectives concentrated in no single section.

The details of a possible war, however, do not concern us greatly here, nor are we qualified to comment more than in generalities. The point we wish to make is the difficulty that simple geography presents in reaching a decisive conclusion.

But, let us carry our suppositions further. Let us suppose Japan wins a victory, quickly and decisive enough for the United States to sue for an armistice. At the most Japan might claim the Philippines, Guam and a few other American islands in the west Pacific, and the right to build up without further opposition a stronger hegemony in the Far East. The United States in turn would lose her tremendously valuable prestige and all claim to a voice in the Orient.

On the other hand, let us suppose the United States won a decisive victory. Territorially, the United States might pick up a few islands in the Pacific to safeguard her Guam outpost, unless of course, Washington decided to embark on an outright imperialistic policy. She might force the Japanese to leave the Asiatic mainland, to remove her influence from Manchoukuo and withdraw her armies from China. And that would be only the beginning of the trouble. There is Russia to consider, and to prevent recurrence of trouble the United States would have to take full responsibility as sponsor and pour a fortune into China while the leaders of the old Chinese régime struggle to make of their country a nation which can stand on its own feet as an adult member of the international family.

(Continued on page 360)

# The Tri-Power Treaty and the American Evacuation

By C. J. LAVAL

The Gods who made the Pacific  
Wide and deep—  
Must have had a purpose—  
When we see how wide and deep  
Is the gap between the psychology  
Of the Occidental and the Oriental,  
We are tempted to surmise  
That the purpose of the Gods  
Was kind.

—from the lore of Lo Pat.  
\* \* \*

**T**HE course of Japanese action and American diplomacy in the Far East at length has had its logical consequence. The signing at Berlin on September 27 of a Treaty has brought Japan into alliance with the European totalitarian powers. Hitherto Far Eastern affairs have been linked but loosely with the European situation; the new Tri-Power Treaty projects the European war into the Pacific and creates the likelihood that it may become a world-wide conflagration.

It may be accepted that neither the United States nor Japan wants war, but the exercise of nicely calculated restraint and most prudent statecraft, at Tokyo and at Washington, must now be called into play if conflict in the Pacific is to be averted. This seems evident because by the plain terms of the new Treaty the potentials for war in the Pacific appear to have been removed from complete control of the Tokyo and Washington Governments and placed in most uncertain hands in Europe. This is the real reason that underlies the abrupt action taken recently at Washington in preparing for the general evacuation of Americans from countries in the Far East.

Americans on the western Pacific fringe, especially in Japan and in China, have become but helpless pawns in the great game of world politics. Their Government fulfils its obligations to them as citizens by shifting them into safety from places that overnight may become precarious. In the first instance at this time Washington has gone only to the length of "advising" Americans in the Far East to return home, and has taken steps to provide facilities for transport by diverting to Far Eastern ports a number of vessels. It is assured that some thousands of the estimated fifteen thousand Americans residing in various parts of the Far East will heed this first call and will go Home. Other thousands, and probably many in China, may be expected to cling to their Far Eastern moorings. This may lead to further pronouncements from Washington when definite official pressure may be exerted to remove Americans. Before things come to such a pass, however, it is reasonable to anticipate that a break in American and Japanese relations will take place. No least hint has been given thus far that any such eventuality is taking shape.

It is quite within range of possibility—in some aspects it seems likely—that a state of war between Japan and the United States may be brought about and continue for an indefinite period without occurrence of any major armed clash. Such a war, necessarily, must be confined to naval engagements. Geography forbids any meeting of land forces. In such a situation, should it develop, Americans in the Far East would be helpless hostages cut off from communications with their Homeland and, at best, compelled to survive through an indefinite period with every form of normal activity severely curtailed or ended.

## Washington's One Anxiety

In the event of war the lives of Americans in the Far East would be the single cause for special anxiety to Washington. The American Government is perfectly aware that measured by international standards American material interests in the Far East, especially in China, are negligible. These may well be abandoned. If the factor of the presence of American citizens in the Far East thus is subtracted from the situation, any active fighting in the Pacific, not only becomes unnecessary; it would be utterly futile. If American necessities in the Atlantic become acute, there can be no warfare in the Pacific. The United States does not yet possess sufficient naval strength to make any other conclusion tenable. After a general American evacuation from the Far East the Wash-

ton Government may be expected to follow a characteristic business-like course and deal with problems strictly in the order of their magnitude and locale. All present-day American concerns in the Far East, such as the conflict in China and the situation in the Netherlands East Indies, then would be thrust aside, not abandoned, but left to await timelier occasions that must be determined by the outcome of the war in Europe. If Great Britain is defeated, it follows inevitably that every trace of Anglo-Saxon influence in the Far East will be removed.

Although neither Washington nor Tokyo wants war, and it may be accepted that both Governments will employ every means possible to avert conflict, the situation that has developed holds the clear possibility that Japan and the United States may be thrust by external pressure into an armed clash abhorrent to both Nations. The reason for the evacuation of Americans from the Far East and for the all-round stiffening of the American attitude in the crisis is to be found in Article Three of the new Treaty that Japan, Germany and Italy have signed. This reads:

"Germany, Italy and Japan agree to co-operate . . . . They further undertake to assist one another with all political, economic and military means when one of the three contracting Powers is attacked by a Power at present not involved in the European War or the Sino-Japanese conflict."

There are no qualifications written here, no definition of how possible attacks against one or other of the three signatories may originate. It takes two forces to make a quarrel or a war and the initiative does not necessarily rest with either. In fact, it may be reasoned that in this pregnant Article Three of the Tri-Power Treaty the control of initiative leading to conflict between Japan and the United States has been placed in the grasp of Adolph Hitler. German provocation can easily explode the already inflamed American public opinion and cause the United States directly or indirectly to attack the Third Reich. Any German sortie against a South American country or into the Western Hemisphere would provoke an American attack instantly. Thus might a war, undesired by either adversary, be started in the Pacific. In this may be found the moving cause why the Washington Government is advising Americans to return Home from the Far East.

## The Position of Soviet Russia

The Tri-Power Treaty emphasizes also that the terms of the document "do not in any way affect the political status which exists at present as between each of the three contracting parties and Soviet Russia." Craftily ever ready to reap advantages without cost, while strengthening her own resources, Russia has remained a neutral as regards the war in Europe and the war in China. Technically, but only technically, Article Three of the Tri-Power Treaty applies with as much force to Russia as it does to the United States. Special significance is to be seen in the disclosure that Moscow was fully apprised concerning all details of the new Treaty before it was signed, and it may be assumed, therefore, that the new arrangement has the blessing of Russian approval. Concrete evidence of this may be seen in the near future.

Latterly flirtation with the Kremlin seems to have become the vogue and diplomatic eyebrows may have lifted a bit cynically over a recent pronouncement of President Roosevelt in which in old-fashioned, good-natured American fashion he put Soviet Russia in the American category of "friendly nations." It was not so long ago, when Finland was on the rack, that in Roosevelt's eyes Russia was a "wanton aggressor." When Russia annexed Latvia, Lithuania and Estonia official utterances at Washington on these developments were trenchant and quite unlike anything that might be addressed to a friendly neighbor.

It is to be remembered that Russia was the cradle in which was nurtured the German war machine of this day when it was in its embryonic stage, when the terms of Versailles were still in force in Europe. With eyes wide open Russia entered the alliance with Germany that enabled Hitler to start the present conflict. Consistently, the course of events has shown that Stalin has no wish for war with Hitler and relations between Germany and Russia

have continued to be guardedly cordial. Admitting that Russian support for the democracies at this time would be desirable, the omens all appear to be against this and it would be strange indeed if American leaders were to be led into any will-o'-the-wisp quest for Russian friendship such as that in which British and French statesmen were so rudely deluded in the opening phases of the present war. For Germany and Italy the American attitude is most clearly defined; in German and Italian eyes Russia is seen as a potential ally, despite recent events in Rumania and in the Balkans. Current developments such as the reported plan for a conference at Moscow early in November of the Axis powers with Soviet Russia show the way the wind is blowing.

### What the Treaty May Mean

The estimate that the purpose of the Tri-Power Treaty is to keep the United States out of the European War is doubtless correct as far as it goes. The Treaty may be interpreted as going far beyond this, however. The document seemingly was designed, not only to keep the United States out of the European War, but to insure that in the event the United States does enter the conflict, it shall be in the Pacific Ocean. The possibility also is created in the Treaty to compel such American involvement in the Pacific whenever this may be deemed to be advantageous. Such an eventuality clearly would be in line with both German and Russian aims. It would remove from the Atlantic the buttress of American naval strength which would no longer be in a position to support the British Fleet in case of need, and war between Japan and the United States, opening all East Asia and its seaboard to invasion "from the direction of Urga," would achieve at length and without cost the cherished end toward which Russian diplomacy has been dedicated since the time of the Czars.

In such a time of crisis it is a waste of effort to review or dwell upon causes, or attempt to assess and fix blame for things of the past out of which has grown the situation of the present day. Sufficient it is to say that while American and Japanese relations in commerce and in cultural exchanges consistently have been complementary and mutually advantageous, Japanese and American policies and political viewpoints regarding Asiatic affairs, that is to say, regarding affairs on Japan's side of the Pacific, almost continuously through the past three decades have been at variance.

Within the narrow confines of crowded and impoverished islands vital needs for survival, or what Nipponese leaders deemed to be vital needs, ever have been the compelling force behind the Japanese course of Empire. Dai Nippon has never been able to attain a full sense of national security and she never has been affluent enough to afford the American luxury of being able to do as she pleases. Her problem through recent years has been to hold the place she has won in the world and to survive. The wholly unwonted popular anxiety over national security that the German victories but recently created in the United States came as a strange experience for Americans; such a sense of popular apprehension has been the plight of the Japanese uninterruptedly since their emergence on the world stage. In the Far Eastern situation the American Government stands squarely and exclusively upon the moralities. American material interests are not involved, nor are they endangered, for the record shows that wherever the Japanese have become dominant the main volume of trade from the United States—not from the individual interests on the ground—has flourished and increased. Briefly summed, through many years the Japanese course to attain security and to survive has clashed with American moral concepts and it now seems that a break at length is near at hand.

### The Costs and the Losses

What are the costs, and what is to be won or lost in a war in the Pacific? It may not be gainsaid, if Russia be excluded, that Japan is the leading power in the Far East. Nipponese statesmen repeatedly have disclaimed any ambition for territorial gains. Accepting this at face value, it still appears in the Occidental viewpoint, and perhaps the belief is warranted, that Japan is seeking to displace Occidental influence and to dominate all the other peoples of the Far East, possibly in such manner as that in which the United States dominates and protects the countries in South America. The sharp edge of the conflict of viewpoints is

seen in the circumstance that all these countries of the Far East, in one way or another, have long been held under the control of Western powers. Whether a change of masters for Far Eastern countries would help or harm their inhabitants and the international situation in general is just a question that may or may not be answered in the future. Japan's rule in Korea since 1910 clearly has been broadly beneficial, and no observer acquainted with Manchurian affairs can deny that conditions for the people in that part of the world have been bettered since 1932 when Japan created there the new Empire of Manchoukuo.

In the present situation Japan is gambling again with her existence at stake and her extinction as a power of the first class must be measured as a possible cost. What she hopes to gain is national security and strength sufficient to insure full security by acquiring raw materials essential for the industries that take care of the expanding population, and markets in which to sell the products of these industries.

The costs to the United States of a conflict with Japan would be considerable and would consist of the irreplaceable loss of American influence and commerce in the Far East and some measure of loss of American lives and naval armament. In the event of war these losses would be incurred in any case whether the United States won or lost the conflict. Certainly the United States has no territorial or imperialistic ambitions in the Far East, rather the contrary. She desires and would gain, therefore, no territory by vanquishing and humbling Japan. She can win exactly nothing. Such a victory could bring but one consequence; it would clear the way for Soviet domination of China and all the Far East and for another war, in which the United States might participate, which Great Britain would have to fight to hold her vast Far Eastern interests. No American interest that can be called a vital interest is now or can be in the future imperilled in the western Pacific.

### Fight Against Malaria in Algeria

**I**N 1841, a French general stated in a report about Algeria: "The only colonies that develop in this country are the cemeteries."

This mournful statement referred to the numerous epidemics of malaria, that, in North Africa, undermined the powers of resistance of the native population and the colonists. This general lived at a time prior to that when his compatriot Laveran discovered the presence of the malaria parasite in the blood of malarial sufferers, and the time when Sir Ronald Ross demonstrated that it was the malaria mosquito that ensured the transmission of this malady.

At that time, there was no idea in France of colonizing North Africa south of the line drawn from Birkadem to Douera. The Mitidja was looked upon as a great marsh where sickness and death reigned.

The Algeria of to-day is a real monument raised in honour of the perseverance of its French, European and Algerian pioneers. The clearing of marshes and quinine have almost entirely done away with the dreaded malaria in several parts of the country. The low hills, that were formerly the breeding ground for myriads of malaria mosquitoes, have now become veritable parks that are most prosperous.

Quinine has played a very important part in this struggle against marshes and mosquitoes. Formerly, colonists took very large doses of quinine, but since the publication of the latest recommendations of the Malaria Commission of the League of Nations, the short quinine treatment is applied. This prescription is as follows: to prevent malaria, take six grains of quinine per day during the fever season, and to deal with an attack, a dose of 15 grains to 20 grains of quinine daily during five to seven days. On page 125 of its report, issued in 1938, this Malaria Commission stresses the fact that among the anti-malarial drugs, quinine still ranks first in current practice, by reason of its clinical effectiveness and almost complete absence of toxicity, coupled with the widespread knowledge of its use and dosage.

It may be rightly said that in Algeria, the arable lands have been conquered and the rich harvests now obtained are the fruit of prolonged efforts devoted to the fight against the malaria mosquito.

# Korea as A New Industrial Center

*(The Oriental Economist)*

INDUSTRY in Korea has developed by leaps and bounds since the outbreak of the Manchurian incident in 1931 and more especially since the hostilities started between Japan and China in 1937. To-day, Korea is called upon to play a vital rôle in the economic bloc between Japan, Manchoukuo and China.

Various lines of heavy and light industries have been started in the peninsula which had remained an agricultural country until a decade ago. The war time industries now prospering in Korea include many branches of mining such as gold, iron, coal and black lead, the manufacture of iron and steel, the smelting and refining of various metals, the manufacture of artificial fertilizers and hardened oil and the liquefaction of coal. Cotton spinning, the cement industry, oil, beer brewing, milling, paper and pulp also are well organized while the manufacture of enamelled ware, electric bulbs and ceramics as well as dyeing, weaving and packing, whose products are intended for export, are being managed with creditable success. Other lines which are being expanded or projected or graded as promising include the woolen, rayon and staple fiber industries, the manufacture of dehydrated alcohol and its derivatives, aluminium, magnesium and other light metals, the automobile industry, the manufacture of ordnance and aircraft, shipbuilding and the production of machine-tools.

Korea was placed on the status of "colonial economy" for a long time following its union with Japan in 1910. It provided a market for industrial manufactures of Japan, while supplying Japan with raw materials and foodstuffs. Korea also offered a market for Japanese investments. Consequently, primitive industries, especially the production of rice, prospered in the peninsula, which long had been an agricultural country with rice as its major industry. Even before its union with Japan Korea used to export rice, but only to dispose of surplus stocks and not to sell for commercial gains.

Following the union in 1910, Japanese capital gradually found its way into the peninsula. Inasmuch as the promotion of business was under the license system, Japanese capital was naturally invested in agriculture, which was comparatively free from official restrictions. The result was a sudden increase in the output of rice. This tendency was accelerated by a plan of the Japanese Government to increase the production of rice by way of solving Japan's food question. The production and distribution of goods in Korea were reorganized subsequently with rice at the center by improving the paddy-fields and farm equipment. Rice came to occupy the most important place in Korea's economic fabric and the colony came to depend upon rice to keep up its economic existence.

Korea's economy underwent a transformation, however, with the outbreak of the Manchurian incident as a turning-point. The policy of concentration in agriculture has since been liquidated as indicated in Table 1 which shows the structural change in Korea's trade with Japan. Table 2 shows Korea's industrial production.

It is to be noted that agricultural produce accounted for 63 per cent of Korea's total production in 1931 but dropped to 52 per cent in 1937 while mineral products rose from 25 to 37 per cent in the same period. With 1931 as a basis, mineral products increased five times and industrial manufacturing four times.

Total production in Korea, calculated on the same basis, increased by Y1,800 million in the period from 1931 to 1937. One half of this increase was accounted for by a gain in mineral products. Table 2 demonstrates that Korea has emerged from a primitive stage of industry into a new phase in which agriculture and manufacturing are developing side by side. The rapid industrialization of Korea may be ascribed to the following factors:

- (1) A natural outcome of the mature development of agriculture.
- (2) Encouragement of industrialization after giving up the policy of concentrating on agriculture.

- (3) An increase in the margin of Japanese capital available for investments in Korea.
- (4) The adoption of an economic policy of self-sufficiency based on a quasi-war footing.
- (5) Progress of technique.
- (6) Formation of the economic bloc among Japan, Korea and Manchoukuo, following the birth of the new empire, and the important part played in the bloc by Korea.
- (7) The development of economic exchanges between Korea and Manchoukuo.
- (8) Korea's growing importance as advance post in Japanese continental development.
- (9) The general tendency to industrialize regions where raw materials are available.
- (10) Surplus labor and dissemination of education.

Of these factors, the most important is advancement of technique, and the phase of it responsible mainly for the successful industrialization of Korea has been the revolutionary development of water-power resources. The potential waterpower resources in Korea are estimated to yield about five million kilowatts. If they are developed by utilizing the water courses as in the case of Japan Proper, the maximum volume of electric generation in the peninsula would amount to no more than 57,000 kilowatts. A survey of hydraulic resources up to 1928 conducted on the assumption that the system in Japan Proper would be applied to Korea led to the conclusion that the peninsula's potential water-power resources amounted to only 57,000 kilowatts, hence it was believed that there was no hope for Korea's successful industrialization. But this pessimistic survey has been exploded by the successful adoption of the dam system and the system of changing the water courses. The resources of the Fusenko and Choshinko Rivers, which form the arteries of Korea's industry, are being developed under these systems while the hydro-electric plants under construction on the Yalu and Kanko Rivers are based on the dam system. The harnessing of the Yalu and Kanko Rivers will bring the total volume of electric power generation in Korea in the near future from two million to 2.5 million kilowatts. This great electrification program guarantees the mining industry in Korea a phenomenal development.

Together with the geographical advantage of lying between Japan and Manchoukuo, Korea possesses various industrial strong points compared with Japan Proper. Among them are the following:

- (1) Korea abounds with raw materials, some of which have not yet been tapped, in agriculture, mining, forestry and the marine products industries.
- (2) In addition to cheap and abundant electric energy, Korea possesses rich coal deposits. Liquefaction of coal already has been started on an industrial scale.
- (3) Labor is plentiful and cheap while working conditions are in favor of capital.
- (4) Good neighboring markets like Manchoukuo and North China offer advantages in freightage and insurance.
- (5) Many sites are available for factories while land price is cheap. The Government-General and people in the peninsula welcome capital from Japan Proper and extend every possible facility for its investment.

Korea has recently attracted serious attention as major supplier of rice to Japan Proper, which stands in need of securing an even food supply during the emergency period. General Jiro Minami, the Governor-General of Korea, has introduced a plan to increase the peninsula's rice production to about 3,500,000 *koku* (one *koku* corresponds to about five bushels) by 1950.

*(Continued on page 360)*

# Netherlands India and Japan

By AMRY VANDENBOSCH

(*Pacific Affairs*)

**T**HE Dutch and the Japanese have had long if not always the most honorable relations with each other. The Dutch arrived in Japan some sixty years after the Spanish and the Portuguese, but from then until the present they have maintained continuous relations with that country. The Japanese came to the East Indies at about the same time that the Dutch arrived there. The East India Company used the Japanese in various employments, but chiefly as soldiers. If Japan had not gone into seclusion the Japanese colony in the East Indies might have become important, but cut off from fresh accessions the Japanese group became absorbed in the general population.

Throughout more than two centuries of Japanese seclusion, Japan allowed the Dutch alone of all the Western peoples to continue diplomatic and trade relations, though in a restricted form. The Dutch post on the island of Deshima in the harbor of Nagasaki was in effect a combination of a diplomatic post and trading company agency. When the Dutch Government took over the East Indian Company at the end of the 18th Century it succeeded to the trade monopoly of the Company, which was apparently of no great value, as the amount of trade was not great. During the few years of French control over the Netherlands in the Napoleonic period Deshima was the only place in the world where the Dutch flag continued to fly.

While the post at Deshima was to the Dutch only a trading agency and an unusual sort of diplomatic post, it was to Japan an aperture through which it obtained a surprising amount of information and even learning from the outside world. From the Dutch on Deshima the Japanese learned a great deal about cartography, geography, military science, medicine, botany and Western astronomy. In this way Western influences were at work in the country long before the opening of the country by Commodore Perry. Through this contact the Japanese were warned of the inevitability of conflict with the West unless Japan voluntarily departed from its policy of seclusion. A letter to this effect was written by King William II in his own hand, but it was composed by Von Siebold, a former physician at the Dutch post on Deshima and a well-known student of Japan. Some years later the United States Government requested the good offices of the Dutch Government in promoting its "amicable visit to the Japanese Islands." In granting this request the Netherlands Government acquainted the Washington Government with its exchange of letters with the Japanese Government nearly a decade earlier.

Ever since the Sino-Japanese War the Dutch have been watching with concern every Japanese manifestation pointing towards southward overseas expansion. By the Treaty of Shimonoseki in 1895 Japan obtained Formosa and the Pescadores Islands, and from that time until the present there has been in Japan a group, composed chiefly of commercial and naval leaders, which has advocated expansion in the South Sea Islands. Japan chose expansion on the continent, but did not entirely forget or neglect the South Sea area. The South Seas Society encouraged trade and other relations with the South Sea Islands and in 1912 a Government subsidized boat line to the East Indies began operations. During the World War signs increased that Japanese thoughts were turning southward overseas. Articles began to appear in the Japanese press alluding to the East Indies as a desirable region for expansion. The transfer to Japan of the former German colonies north of the equator, even as mandates under the League of Nations, caused misgiving. From the point of view of international politics in the Pacific area the rise of Japan as a world power had been largely offset by the rise of the United States as a world power and its acquisition of territory in the Asiatic region, but the United States began to give indications of desiring to withdraw from the Philippines. The position of the Japanese mandated islands, just off the direct route between the Philippines and Hawaii and the United States, and their possible use as air and naval bases strengthened the position of Japan as against the United States. While the collapse

of Russia might lure Japan to adventures on the continent, it might also serve to encourage Japan to increased activities in the South Sea Islands region. The weakening of Germany improved the position of Holland in Europe. The League of Nations and collective security likewise was a boon to a country like the Netherlands, if successful; but if unsuccessful it exposed Holland to new and grave dangers. The results of the World War had dark as well as light aspects for the Dutch Empire.

In the years immediately following the World War, when the world was extremely oil-conscious, there was some fear that the oil resources of the East Indies would speedily draw it into the maelstrom of imperialistic conflict. There was some friction for a few years between the United States and the Netherlands over the question of oil concessions in the East Indies and this aroused a heated debate in the States General. It was contended that the contract between the East Indies Government and the Batavian Oil Company, a subsidiary of the Royal Dutch Shell, for the joint exploitation of the rich Djambi Oil Fields in Sumatra, was virtually putting the Netherlands into the world-wide struggle for oil on the side of Great Britain, and was thus certain to draw it into the impending war for oil. Japan entered this controversy merely to demand of the Dutch Government that Japanese nationals be granted equality of opportunity with other nationals if in the future they should apply for concessions. But to-day, though Japan draws nearly a third of its oil supply from the East Indies, no oil concessions are held by Japanese nationals. Of the oil produced in the East Indies British-Dutch companies produce about 55 per cent, American companies about 33 per cent, and the remainder is produced by the joint exploitation of the East Indies Government and the British-Dutch companies.

The tension in the Pacific in the early post-war years caused the Dutch much anxiety. While the Dutch Government welcomed the Washington Conference it did not receive the invitation to the Conference with unalloyed joy. The Dutch Government had, in becoming a member of the League of Nations, departed somewhat from its traditional policy of assuming no international obligations of a political nature. In the League, however, the obligations were of a general and universal character. But even this commitment Foreign Minister van Karnebeek at the time characterized as "a jump in the dark" for a small, militarily weak country with the geographical position of Holland. In view of these considerations the Netherlands came out of the Conference fairly well. It did not escape political commitments altogether, as it became a party to the Nine Power Treaty, but Van Karnebeek succeeded in obtaining for his country such benefits as the Four Power Treaty might possess without becoming a signatory to it. After the Four Power Treaty had been drafted and signed by the representatives of the British, French, United States, and Japanese Governments, the Dutch and the Portuguese representatives were successful in inducing these powers to extend the guarantees of the treaty to the insular possessions of Holland and Portugal in the Pacific.

In spite of certain gains, such as the lessening of tension in the Pacific area and the non-aggression pledges with respect to insular possessions, the Dutch were not altogether pleased with the results of the Washington Conference. The agreement not to strengthen fortifications and bases in the Western Pacific might do much to change the character of the next war, should war come in spite of the agreements. The likelihood of a decisive battle between hostile fleets was now considerably reduced, since the fleets would have to operate too far from their bases. The war would then in all probability take the form of the belligerents driving each other's commerce from the seas. In this kind of war the East Indian archipelago might well become the scene of major activities.

The long-feared Japanese commercial invasion of the East Indies became a reality during the world depression. Before 1913 the Japanese share of the East Indies imports was only a little over one per cent. During the five years immediately preceding the

depression it was slightly over ten per cent, but after 1929 the Japanese share rose rapidly and in 1933 it reached 32 per cent. The Dutch share of East Indies imports declined from 32 per cent in the years immediately preceding 1913 to 18 per cent for the years 1925 to 1929 and then dropped sharply, reaching the low point of 9.5 per cent in 1933. Not only had the Japanese captured a large part of the East Indies market, they were also pressing into the shipping and distributing business. To combat this commercial invasion the East Indies Government restricted its open door policy by imposing quotas, both general and specific, and import licenses. As a result of these measures the Netherlands and other Western countries recovered a large part of the East Indies market.

In 1937 the Japanese percentage was back to 25 per cent while the Dutch percentage went up to 19 per cent, which was higher than it had been in the years immediately preceding the depression. Since 1937 the Japanese percentage has fallen even lower, as a result chiefly of the war with China. The trade control measures were not taken solely to preserve for the Dutch a part of the Indies market. Protection of the East Indies industries, of the existing distributing system, and of the markets for East Indies exports were other reasons for modifying the open door policy. When Japan was supplying the East Indies with a third of its imports, it was taking only five per cent of its exports. Western countries were buying more than they were selling to the East Indies and since most countries were operating under the policy of "we buy where we sell," the East Indies was in danger of losing markets for its raw materials. During this period the two countries were also engaged in a shipping war. The Japanese companies reduced their rates so much that Kobe was threatening to become the maritime center of the distant eastern islands, rather than Batavia.

As the chief sufferer from the trade restriction measures, Japan felt aggrieved. The Japanese Government contended that the restrictions on Japanese trade constituted a violation of the commercial treaty of 1912 and it requested that representatives of the two Governments meet in conference to seek a solution of the difficulties which had arisen between them. The conference began in Batavia in June, 1934, with Mr. Nagaoka of the Japanese diplomatic corps as the head of the delegation from his Government and Mr. Meyer Ranneft, Vice President of the Council of the Indies as the head of the Dutch delegation. The Dutch had looked with some apprehension upon holding the conference in the East Indies; they feared that the Japanese would use it for political as well as commercial ends. Among certain Indonesian nationalists there was developing a mild Japanese orientation and the fact that Japanese goods were in general cheaper in price presented an opportunity for political exploitation. In his opening address Nagaoka urged that the negotiations be conducted primarily in the interests of the Indonesian population and he referred to the vast opportunities for economic development of the Outer Islands and hinted at joint Dutch-Japanese exploitation.

The conference dragged on for six months with no results, the chief difficulty apparently being the insistence of the Dutch delegation that an agreement be reached on shipping before any other matter be discussed. A year later, a semi-official shipping conference met at Kobe, but broke up without getting to the subject of shipping. In the preliminary meetings a wrangle developed over the question of the official language of the conference, the Japanese delegation insisting that Japanese be the official language. A year later, in 1936, the shipping controversy was settled by an agreement between the Dutch and Japanese companies in which rate schedules were fixed and the business between the two countries was divided on a basis of about 60 per cent for the Japanese and 40 per cent for the Dutch lines. Since then many of the commercial differences have been settled by a number of separate agreements.

For decades the Dutch have feared Japanese southward overseas expansion, and these fears have increased progressively during the last decade. There has been an accumulation of rumors, incidents and events which has frightened the Dutch. The Japanese colony in Davao in the south of the Philippines, trouble with Japanese fishing vessels in East Indies waters, reports of Japanese penetration of the Portuguese part of the island of Timor, rumors of Japanese efforts to purchase Portuguese Timor, Japanese concessions in Dutch New Guinea, and requests for even larger concessions involving rights of colonization—all have helped to cause Dutch alarm. During recent years the Dutch have been especially worried about New Guinea. It is a sparsely inhabited area and of no great economic value, but its geographic situation between Australia

and the Philippines and not far from the Japanese mandates gives it a great strategic value. Because the Dutch had left it practically untouched they feared a campaign of Japanese propaganda. To forestall this kind of campaign and pressure the East Indies Government several years ago began a vigorous military and administrative penetration of its part of this large island and encouraged in every way possible its economic development. This has cost much money with little economic gain but the East Indies Government felt driven to it by the international situation.

The Dutch have watched the signs of the rapid development of the demand for a more active southward Japanese policy with increasing concern. They have seen the number of publications and articles on the subject in the Japanese press mount steadily in recent years. What the writers mean by the Southward Policy is not clear. To some it means more liberal trade opportunities; to others it involves asserting the right to develop what others appear to be neglecting; and to still others it suggests actual acquisition of territory. Advocates of the policy also declare that Manchoukuo is a disappointment as a source of raw materials or as a market for commodities; that Japan's efforts are too much engrossed on the Asiatic continent; that there is danger in relying too heavily on the continent because Japan may some day be cut off from it by military action; that expansion southward overseas would bring far greater returns at less cost; and that anyway expansion on the continent should be balanced by overseas expansion.

Japanese spokesmen base their claims for Japanese interest in the East Indies on several factors, such as a market for Japanese goods, a source of raw materials and an outlet for surplus population. Japan finds in the East Indies a considerable market for its goods, and this market would be greater but for trade restrictions. In 1937 Japanese exports to the East Indies were valued at 124,000,000 florins. But it cannot be shown that Japan is in especially great need of the raw materials of the East Indies, for its purchases of them have been relatively small in spite of considerable Dutch prodding to take more. The Dutch for a while were especially insistent that Japan take large quantities of Javanese sugar, but the Japanese refused to do so. They already have considerable money invested in the production of sugar in areas under their own control, especially the mandated islands. In 1937 Japan bought only 42,252,000 florins worth of goods from the East Indies, or less than five per cent of the total Indies exports.

It must be seriously doubted whether the East Indies can offer any direct outlet for Japanese surplus population. Java's overpopulation is already a nightmare to the East Indies Government and the Javanese would seem to have a superior moral claim to such outlets for population as do exist in the Outer Islands. The Government hopes shortly to transplant 100,000 Javanese a year to the Outer Islands. The population which the Outer Islands can support is not unlimited. Two of the largest, Borneo and New Guinea, will never be able to support large populations. But what about the moral claim of the Chinese to escape population pressure at home by migrating to the East Indies? They have already demonstrated their willingness to settle there, and to do it successfully. A million and a half Chinese now live in the Indies. The number of Japanese who have thus far felt impelled to go to the East Indies is very small. There are less than 10,000 living there to-day. Japanese investments in the islands are also small, compared to the total foreign investments. They are estimated at something like 30,000,000 florins out of a total of three to four billion florins of foreign commercial investments. The Japanese demands, however, should be seen in the light of Japanese hopes for a Chinese-Japanese-Manchoukuo economic bloc, which requires a large tropical area to be truly effective.

Incidents which indicated that the matter had gone beyond the mere public discussion stage occurred in 1936 and 1937 when the office of Governor General of Formosa fell vacant. Admiral Nagano, Minister of the Navy, suggested to the Premier that since Formosa is a key position in the execution of the Southward Policy and in safeguarding Japan's southern line of defense, the practise of having a civilian as Governor General should be discontinued and a naval officer should be named to the post. Opposition from the Peers and the permanent civil officials aroused a controversy which ended in a compromise by the appointment to the post of a retired admiral. In March, 1937, Mr. Heigora Sakurai of the Minseito Party interpellated the Government on the desirability of obtaining a perpetual lease of Dutch New Guinea as a means of solving the Japanese population problem. General Hayashi, the Prime

Minister, expressed much sympathy with the interpellator's view, but declared that the Government had not yet studied the matter. He further pointed out that it would be necessary to take the position and sentiment of the other party into careful consideration.

It is against this background of a vague, potential Japanese threat that the Dutch viewed the rumor of a secret clause in the Japanese-German Anti-Communist Treaty of 1936 providing for the division of the East Indies into spheres of influence. Since then events have moved rapidly, and not in a way to allay Dutch fears. The fall of Canton, the Japanese occupation of Hainan and the Spratly Islands have brought Japan nearer to the East Indies and reduced the military value of Hongkong and the French naval bases in Indo-China. In the meanwhile the date of the American withdrawal from the Philippines draws steadily nearer.

Odd as it now seems in retrospect, the Dutch seemed to have no other thought than that the fate of the East Indies would be determined by events in the Pacific. They relied on their policy of isolation and neutrality to keep them out of European wars. As late as last summer the Dutch refused to join in an important conference of naval officers of France, Great Britain, and Australia at Singapore, at which one of the chief subjects of discussion was the position of the East Indies. The Dutch Government wishes to give offense to no potential invader of the East Indies, yet until recently it relied on British naval strength in the Far East to help safeguard the dependency. When the Dutch and East Indies Governments began to fear that the war which threatened Europe would so strain the fighting strength of France and Great Britain that it was no longer safe to rely on them too heavily, they began to develop plans for a navy with offensive power. A proposal to build three large battle cruisers received the approval of the Volksraad just a week or two before the German invasion of the Netherlands.

Now the fate of the East Indies and the Netherlands both depend on the ability of Great Britain to withstand German assault. Japan, it is true, has driven its diplomatic stakes deep for a share of the spoils in the Far East, but the outcome will be determined by events in Europe and not in the Pacific. The diplomatic manœuvres of the United States Government with respect to the maintenance of the *status quo* of the East Indies place barriers in the way of independent Japanese action against the Dutch dependency, but they have no force if the *status quo* is threatened from Europe. Indeed, the United States and the Pan-American states have laid the moral basis for Japanese action by their declarations of a similar policy with respect to the European possessions in the Western hemisphere.

In retrospect it is easy to criticize Dutch policy. A frank recognition by both Belgium and Holland of almost identical interests with France and Great Britain both in Europe and in the area of their colonies, and military co-operation with them would now seem to have been a more realistic policy. However, it should be remembered that Belgium only four years ago shifted from that policy to the Dutch policy of neutrality and isolation and the wisdom of Belgium was widely acclaimed. Moreover, the Dutch were not the only people who failed to realize how fundamentally the world situation had changed.

## The Crisis in the Pacific

(Continued from page 354)

This, no modern régime has ever been able to do. Such a possibility for China is a bright and shining ideal, but those of us on the scene have our doubts as to the practicality of the attempt. In addition there would be the problem of finding a place for Japan in the world order of things if the frustrated ambitions of a virile nation are to be placed in the proper channels. It would be the height of stupidity to draw up a Pacific Versailles and permit conditions which would result in a repetition in Japan of the Germany of 1919-39.

The whole question of war or peace in the Pacific will depend to a great extent on the situation in Europe. The Tri-Power Pact, and the agreements that Great Britain and the United States have reached regarding defence are the links that connect the two areas of conflict. Any settlement in the Pacific must take Europe into consideration, but this is not to assume that the mere return of peace to Europe is a solution to the issues that beset Asia. The two have a definite tie now, but they are two and different problems

which must be solved individually. In the meanwhile it is obvious that war in the Pacific can no more settle the difficulty than the complete defeat of either Great Britain or Nazi Germany will bring lasting peace to Europe without a fundamental reconstruction of the world order. The battle there is whether the new world order will be on the Nazi pattern, or on a design as envisaged by the democratic powers, and a mighty important decision that is.

If Rear-Admiral Stirling's advice on strategy is respected, there will have to be a considerable revamping of the American plan of action and a revision of American Far Eastern policy. Fundamentally, to Japan will be conceded that the Far East is her own sphere of influence, and while America may not approve of Japanese policy, at least there will be no effective opposition for the time being. This recognition is a simple and perhaps logical way out of a dilemma. This course is not necessarily "appeasement," a word which has gained such ominous implications. On the other hand it is rank folly for the United States to try to regulate the moral conduct of the whole world unless she is ready to back it up by force, and to continue to apply that force for so long as it may be necessary to keep the situation immobile; in other words, to maintain the *status quo*.

It is not appeasement to recognize a nation's growing needs. Those needs are not necessarily territorial, or rather, there are ways other than territorial redistribution by which a nation's wants may be satisfied. In this connection it is well to remember that at no time have Tokyo spokesmen asserted territorial aggrandizement was their aim in China, although in western eyes the drive for Sino-Japanese co-operation has taken some strange forms at times. Freedom of trade, easier access to markets and raw materials, and industrial and economic co-operation are all practical and approved ways of satisfying the needs of national growth.

It is a truism to say that it is more logical to recognize the realities of such a situation than try to keep a nation forever suppressed by force. But unfortunately, the obvious is not always recognized.

Only one nation looks upon the tense situation in the Pacific without anxiety and forboding. It is the one nation in the world that can benefit by international disorder, Soviet Russia.

## Korea as A New Industrial Center

(Continued from page 357)

TABLE 1.—KOREA'S TRADE WITH JAPAN PROPER

Year	Exports			Imports		
	1921	1931	1935	1921	1931	1935
Foodstuffs...	69.9%	70.1%	59.7%	9.9%	12.4%	12.5%
Raw Materials	13.4	9.5	16.5	4.8	7.6	10.4
Semi-finished Goods	12.3	9.5	17.2	9.2	11.6	14.1
Finished Goods	2.7	7.4	5.1	75.6	63.5	61.6
Others	1.7	3.4	1.5	0.5	4.9	1.3
Total...	100.0	100.0	100.0	100.0	100.0	100.0

In the 30 years since the union of Korea and Japan, the economic status of Korea has been firmly established on the basis of developing agriculture and industry side by side. Keen interest attaches to the economic future of the territory as the advance-post of Japanese industrialists and also as a base of supply for the Japanese forces on the Continent.

TABLE 2.—PRODUCTION IN KOREA.

Production	1931	1937	Rate of Increase (1931=100)	
			1931	1937
Farm...	702,855	63%	1,541,366	52% 219
Forestry	59,413	5	138,710	5 233
Marine	77,562	7	187,953	6 242
Mineral	21,741	2	110,429	4 507
Industrial	252,924	23	959,308	33 380
Total...	1,114,495	100	2,937,766	100 263

# Philippine Manganese Industry

*(The American Chamber of Commerce Journal, Manila)*

**H**EGRATION of the Japanese trade treaty with the United States may conceivably result in a definite limitation, or even embargo, on export of war materials to Japan. Manganese ore might well head the list of such prohibited commodities. This event would definitely change the complexion of the Philippine manganese mining industry by removing its heretofore principal buyer from the market until such embargo were lifted. It would definitely limit Philippine producers to the American market as exports to Europe, normally difficult at any time, appear now to be out of the question under wartime conditions.

The importance of manganese to the steel industry is paramount in peace time and is crucial in war time. Just as a small amount of yeast is needed to make bread, a few pounds of manganese—about 14 pounds for each ton of steel made—is required by the steel metallurgists. It is used as a deoxidizer in smelting, and for this purpose no satisfactory substitute has been found. By some strange caprice of nature the important deposits of this essential raw material are located practically without exception thousands of miles distant from the great steel producing and consuming centers. Sheffield, Pittsburgh, Essen, Birmingham, must rely on imports from such distant points as Russia, India, Brazil, or Rhodesia for an adequate supply of manganese ore of satisfactory grade. This gives manganese an almost unique position among mineral commodities in international trade, and explains the concern felt to-day not only by the warring nations but by the United States as well when there is interference with normal trade channels.

Japan is the great steel producing nation of the Far East, and while that country is better situated than either America, Great Britain, or Germany as regards a local supply of manganese ore, the amount that can be mined annually is utterly inadequate for her mounting industrial and military demands, and must be supplemented by imports. During recent years Japan has been one of the largest buyers of Indian manganese, and until the last few months of 1939, has taken the entire output of Philippine manganese as well. There is small doubt that only financial and economic difficulties have kept her from remaining as the chief, and for all practical purposes, the only buyer

of the Philippines output, a position which is now occupied, temporarily at least, by the United States.

According to reports by the Bureau of Customs, the relative importance of Japan and the United States as buyers of Philippine manganese has changed abruptly, beginning apparently in October of last year. During that month the United States took 8,024 metric tons out of total shipments of 10,924 tons, or about 73 per cent, while Japan took only 2,900 tons, or 27 per cent. In 1938 practically the entire Philippine production was sold to Japanese buyers.

Whether this portends a permanent change in trade relationship is of the utmost significance to the potentially important manganese mining industry of the Philippines. It is true that American buyers have not until recently looked with overmuch favor on Philippine manganese ore, as is shown by their utter lack of interest in the market during 1937-38. For this attitude, perhaps, the local producers are themselves largely to blame. Shipments were made to the United States that failed woefully to come up to buyers' specifications. The concentrates were poorly cleaned; the moisture content was frequently high; the grade was by no means uniform, and stipulated tonnages were not forthcoming in amount of quality. These shortcomings may be excused by the fact that there were few experienced manganese mining operators available in the Philippines; that geological, mining, and milling problems had to be solved, largely by trial and error—principally the latter—and that little was known of the then rigorous specifications of American manganese buyers.

With the failure of a few initial shipments to satisfy the metallurgists, the impression gained ground that Philippine manganese was uniformly low grade, that is, below 35-40 per cent and on account of the small individual size of the deposits, no dependence could be placed on assurance of continued, regular shipments.

Because of this indifference, Japanese buyers have had a comparatively easy time in securing the Philippine manganese output. Japanese engineers have been active in contacting producers and offering contracts for ore, which in most cases, were the only offers available. Japanese ships were available for taking the ore to their own furnaces. Japanese engineers made reconnaissance surveys of the more promising manganese areas, and in one instance at least, were identified with the



Chutes and loading bin at Philippine-Nippon Manganese Mines, Busuanga



Loading manganese ore lighters at Bani, Camarines Sur

development of an important deposit in Busuanga—the Philippine-Nippon Mines. On account of the relatively short distance to Japanese ports from Manila or Cebu, as compared with the long ocean haul to the Atlantic seaboard, Japanese buyers enjoyed an important advantage in freight rates, and until recently, have been able to quote a price more favorable to the producer on that account.

The single advantage possessed by American buyers over Japanese competitors was the ability to quote Philippine producers the American tariff—protected price. Of late, however, with the adoption of reciprocal tariff relations with several important manganese producers notably Brazil and Cuba, this has been more honored in the breach than in the observance.

With the outbreak of hostilities in Europe the United States awoke to realization that its normal imports of manganese ore and other strategic war minerals might be seriously threatened. Congress appropriated \$100,000,000 for establishing "Stock-piles" of such minerals, among which manganese ore occupied a dominant place. Quite as important, moreover, the War Board issued a new list of specifications for manganese ore that might be purchased, that appears to be far less exacting than the requirements formerly set forth by American buyers. And the neglected Philippine manganese deposits assumed almost overnight an importance as a potential source of supply that otherwise might have required years to attain.

Yet over the long range viewpoint it appears that Philippine manganese should find its logical, or rather perhaps, its natural market in Japan rather than the United States, on account of relative proximity. The situation would be quickly altered if the reported desire of Mr. Roosevelt to establish an important steel producing plant on the Pacific Coast should be realized. This would shorten the distance to consuming centers by thousands of miles, and in such event, give the Philippines a distinct advantage over the nearest competitor. It is also possible that as manganese mining in the Islands progresses, and technical problems are solved, that the good grade of many of the manganese deposits, such as exist on Busuanga, may well command a premium in the American market. The Philippine manganese industry, for practical purposes, is still in its swaddling clothes. It has promise of becoming a not inconspicuous factor in world trade, and is certainly assured of a place in the steel industry of the Far East.

Existence of manganese deposits on Busuanga Island, one of the Palawan group that lies south-west of Mindoro, about 35 hours distant from Manila by steamer, has been known for many years, but has attracted comparatively little attention except from a few mining engineers especially interested in the ore. Recently



Women repairing baskets for transporting manganese ore at Bohol

the price for manganese ore has sharply increased, stimulated by war demand as well as by the creation of the \$100,000,000 fund in the United States for the purchase of strategic minerals, among which manganese heads the top of the list. In order to get comprehensive information on the geology and probable extent of the manganese deposits, the Philippine Government has recently sent several expert geologists to make a detailed study of the deposits in Busuanga, and it is expected that these men will spend considerable time there in compiling their report.

In the opinion of most mining engineers who have visited Busuanga, the area contains the most promising manganese deposits found in the Philippines to date, with the possible exception of the notable discoveries on Siquijor Island. Four mining companies have been operating mines in Busuanga during the past two years and have made substantial shipments of high-grade manganese that meets metallurgical requirements. The grade of the ore is quite uniformly over 50 per cent manganese, and in the main consists of hard lump ore that is free from fines with low silica iron and phosphorus. Formerly all this ore went to Japan, but within the last few months it has found a market in the United States. The main difficulty at the present time is obtaining cargo space for shipment overseas.

Ore bodies occur in lenses, some of which are of considerable size both laterally and vertically. The country rock is predominantly quartzite, and the manganese is associated with a reddish cherty jasperoid. There has been intense folding of the quartzite which lies contorted in every position, and this has promoted great irregularity in the manganese ore bodies.

Unlike most manganese deposits in other parts of the Philippines which are mainly residual in origin, lying close to the surface and easily mined by the simplest open-cut methods, the Busuanga deposits are developed by conventional underground mining methods, with drifts and crosscuts on the ore. While this adds to the mining expenses, there is a compensation in the high-grade of the ore, which is usually mined clean and required neither washing nor other beneficiation to make a marketable product. Ore is taken by truck to Coron or to private piers owned by the companies, and there transferred to lighters before being loaded on ocean-going freighters.

The principal mines to-day are controlled by the Philippine-Nippon Mining Company, which has recently passed into the hands of the Luzon Stevedoring Company, the Amalgamated Minerals,

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The ragged coast line of Busuanga Island where high grade manganese ore is mined

# Fushun: Mining Metropolis

By HORACE M. MASUDA

(*Eastern Asia*)

**W**HENEVER coal mines are mentioned, one's attention turns to Fushun. This veritable mining metropolis of South Manchuria (practically a South Manchuria Railway city for S.M.R. activities constitute the life of Fushun) lies 35 kilometers east of Mukden. It plays an important part in the economic life of Manchuria as a huge investment enterprise, the operation of which is of vital concern to more than one investor, but its greater importance by far lies in the great coal output upon which many an industrial plant in Manchoukuo and Japan depends, for Fushun yields more than two-thirds of all the coal mined in Manchuria.

Widely known for unequalled open-cut mining, the Fushun coal fields cover an extensive area of 60,160,000 square meters with an amazing estimated deposit of 1,000,000,000 metric tons.

From these vast coal fields of Fushun comes the best industrial coal produced in the Far East, for in Japan it is Fushun coal that is used as the standard in determining the quality of other coals. It is Fushun coal that is used solely in the manufacture of certain durable and highly technical iron and steel by the leading manufacturers of steel and iron products in Japan and Manchoukuo.

This fabulously rich coal deposit was first discovered some six centuries ago by Koreans who actually began mining by an extremely primitive method, but later the superstitious Manchu monarchs forbade further operations, lest the spirits of their departed ancestors whose graves were in the vicinity be disturbed from their peaceful repose. When the Russians launched their Far Eastern expansion program, they immediately dismissed such superstitious restrictions, and completely ignoring the earnest entreaties of the

Manchus, resumed mining activities at Fushun. Nevertheless, the output at this stage was considerably small.

Breaking the breathless tension of the Russo-Japanese War, Japan emerged victorious, and as one result of this great struggle, she acquired full rights to exploit the Fushun coal fields. When the S.M.R. began actual operations on October 1, 1907, the Fushun Collieries were entrusted to this Company which has carried on the work since that time.

At the time the management of the Fushun Collieries was entrusted to the S.M.R., the daily output was only between 300 and 400 tons from three mines, Chienchinchai, Yangpaipu and Rokodai, but more mines were opened or added as time went on. In 1911, the Oyama and Togo shaft mines were begun, the Mantatsuwa mine and the Kojoshi open-cut mine, in 1915, the Ryuho shaft mine, in 1918, the Shinton mine, in 1920, the Toren mine was transferred from the Toyo Coal Mining Company in the same year, and the Higashigaoka open-cut mine was opened in 1923. Whole town sectors, the railway station, plants and factories, the central colliery office, the hospital and other facilities were moved elsewhere in order to facilitate the opening of the Kojoshi open-cut mine in 1924, while exploitation of the South Oyama open-cut mine was begun in 1927. Millions and millions of tons of coal have already been mined since the S.M.R. took charge of operations. The intensive mining and other industrial activities conducted by the company during the past thirty-odd years helped to develop Fushun into a sizeable modern municipality, and to make its name famous throughout the world.

Mining operations at the Fushun Collieries are not confined to coal mining at Fushun alone. The Yentai, Wafangtien, Wenho



The Fushun open-cut mine in a man-made valley of coal

mines on the Hsinking-Tumen line, and the Laotoukou mines are also worked by Fushun.

The coal-beds of Fushun extend 17 kilometers east to west and about four kilometers north to south. The seams which incline at an angle of 30 degrees are thick at the western end but become thinner toward the east. A layer of oil shale, about 130 meters in thickness, covers the coal seams uniformly. The mining area is divided into two lots, each worked by Mining Offices Nos. 1 and 2 respectively. Mining Office No. 2 is charged with mining operations in the world famous open-cut mine, a huge man-made valley of coal which is approximately 6.2 kilometers long, east to west, one kilometer wide, north to south, and 130 meters deep. Shaft mines in the eastern part of the Fushun coal fields are worked by the Oyama, Ryuho and Rokodai Mining Offices, while Mining Office No. 1 supervises other mining operations at Yentai, Wenho, Laotoukou and Wafangtien in addition to its management of Mining Lot No. 1.

Latest figures are not available, but the total quantity of coal mined under the management of Mining Offices Nos. 1 and 2 amounted to approximately 9,594,000 metric tons in 1936 and Yentai yielded 310,000 metric tons in addition. The total coal output of Manchuria as a whole for that year was 13,606,000 metric tons which is indicative of the percentage of Fushun's output.

A word must be added here on the Ryuho shaft mine, the largest in the Far East and one of the largest in the world.

Located at the eastern extremity of the Fushun coal fields, the Ryuho mine runs five kilometers from east to west and has an estimated coal deposit of 250,000,000 tons, or about one-fourth of the total deposits of the Fushun coal fields. The coal seam is from 20 to 30 meters thick. The coal being fairly adhesive is used for making coke and is chiefly supplied to the Showa Steel Works at Anshan. Two double-compartment shafts have been sunk near the center of the coal field 60.6 meters apart. Each shaft is 6.5 meters in diameter and 370 meters deep. Only one, namely that on the east side, is in operation at present. The output for the fiscal year 1937-38 reached approximately 1,150,000 tons, which is to be increased to 1,500,000 giving a daily production of 5,000 tons. With the installation of hoisting equipment for the west shaft, an additional 5,000 tons will be brought up daily. Several years hence, it is planned to sink the east shaft further to a depth of 770 meters and the west shaft to 570 meters.

The Ward Leonard system is used in the control of the winding operations which are capable of lifting 12.2 tons, or eight coal cars in four layers or stories, at a single hoist. When hoisting men, a total of 120 persons can be accommodated. In other words, it is a gigantic coal elevator shaft. This huge elevator extends only a



South Manchuria Railway's shale oil plant at Fushun

little more than sixty meters above the ground, but since its main function is underground, the total vertical distance of movement is 382 meters for the present stage, and eventually 782 meters in the future. In speed, it travels 11.5 meters per second (40 kilometers per hour), but in the future the distance per second will average 23 meters (80 kilometers per hour). Loading operations require only eight seconds.

The winding for the present is 53 revolutions per hour. At the present speed, the amount of coal brought to the surface within an hour is 750 tons. The diameter of the cable that facilitates the winding measures 71 millimeters, or the diameter of an ordinary baseball, a size for steel line that is rarely made and which is undoubtedly the largest in the world. This huge rope makes 53 windings in an hour.

In order to meet the great demand for coal in Manchoukuo and Japan, nothing is being neglected in increasing output, and various plans for producing more coal are being pushed at Fushun and other mines throughout Manchuria.

In contrast to Fushun, Yentai is small both in scale of mining operations and in deposits, the estimated deposits being 40,000,000 tons of semi-anthracite coal.

Next in importance to coal mining at Fushun is the shale oil industry. This is an undertaking which the S.M.R. can well be proud of, and is one of the achievements which has placed scientific Japan among the leading industrial nations of the world.

The S.M.R. first started production of shale oil in 1928 when it constructed a shale oil plant at a cost of Y7,000,000 at Fushun.

Since then further studies and research were conducted, and in 1935 the dry distillation and the volatile oil plants were completed. A five-year plan aiming at increasing output was launched and a huge sum totalling for heating purposes while liquefied shale or crude oil is sent to the distillation or volatile oil analysing plants as raw material for the production of petroleum or volatile oils. A part of the left-overs of the oil shale (after all oil is extracted) is used to fill up excavations caused by shaft mining, but some is also supplied to the Fushun Cement Company as raw material for cement manufacturing.

Nowhere in the world can one find the shale oil industry being studied and conducted on such a large scale as by the S.M.R. at Fushun.

Another subsidiary enterprise of the Fushun Collieries is coal liquefaction which saw its beginning in August, 1936, when the S.M.R. transferred all equipment and results obtained at the Central Research Laboratory of the S.M.R. in Dairen to Fushun and constructed a coal liquefaction plant there at a cost of Y14,000,000.

In 1928, President Jotaro Yamamoto first made a request to the Tokuyama Naval Fuel Station for experiments on coal liquefaction.



Bucket excavator at Fushun

The experiments conducted by the Station became indispensable contributions to the inauguration of the new enterprise, while technical experiments conducted by the Central Research Laboratory of the S.M.R. were coupled with the findings of the Navy in the formulation of a fundamental policy. Then in August, 1936, an office to direct the construction of a coal liquefaction plant was established at the Fushun Collieries under instructions of Mr. Yosuke Matsuoka who was then the President of the S.M.R., while in 1937, the new undertaking was incorporated into the Five-Year Industrial Plan of Manchoukuo. After various obstacles were cleared, the plant was finally completed in February, 1939. Further experiments proved that the quality of oil produced was exceedingly high.

Up to this time the production of artificial petroleum was regarded as a difficult technique. The application of the German hydrogenation process in which German lignitic coal is used as raw material, cannot be regarded as exactly difficult in this day and age, but when Japanese or Manchurian lignitic coal which is somewhat different in nature from the German type is used, tremendous difficulty is experienced. Moreover, no process which uses bituminous coal like that found at Fushun has been discovered in Germany as yet.

In Japan, the Navy has the longest history in experiments with coal liquefaction. With the co-operation of the S.M.R. the Naval Fuel Station of Tokuyama completed experiments on coal liquefaction and laid the foundation for the construction of the Fushun Plant of the S.M.R. and ¥18,000,000 was appropriated for this project.

In 1937, expenses amounted to ¥13,000,000 but income from crude oil, wax and coke reached ¥9,000,000 during the same year.

Oil shale from which shale oil is produced constitutes a layer 130 meters thick just above the coal seams of Fushun, and its estimated deposit is placed at more than 5,000,000,000 metric tons. Most of the shale used as raw material for oil production has an oil content of 60 per cent on the average and comes from the upper two-thirds of the oil shale stratum. It is mined at the time the oil shale layer is ripped open to reach the coal seams and not by a separate procedure.

Oil shale sent to the shale oil plant from the open-cut mines is crushed into a uniform size and passed through the dry distillation furnace where dry distillation takes place by low temperature distillation of heated gas. Through this process, the oil contained in the gas is liquefied and separated while nitrogen is collected as ammonium sulphate. Gas which has collected oil and ammonia is used by a plant of the Chosen Nitrogen Company in Chosen.

The S.M.R. offered its generous assistance to the Imperial Navy in conducting experiments on coal liquefaction as a means to help carry out the policy of securing self-sufficiency in fuel, and on two occasions since 1926, it has contributed experiment funds to the Tokuyama Naval Fuel Station. At the same time, a laboratory exclusively for conducting experiments on coal liquefaction was created at the Central Research Laboratory where attempts to industrialize the results have been conducted. Based on the findings at this laboratory, definite plans were adopted in 1935 by Mr. Matsuoka, and with the subsequent allotment of enterprise funds, construction of the Fushun Coal Liquefaction Plant was undertaken. This plant was at first adapted to the Imperial Navy process, but with the progress made at the Central Research Laboratory appropriate expansion was carried out for the purpose of incorporating the new findings. The new changes include equipment and operation methods of the reaction and coal mixing plants which evolved from the experiments carried on over a number of years at the Central Research Laboratory and characterizes the Fushun Plant as one based on a unique process and on a number of S.M.R. patents.



Mond gas plant at Fushun

The Fushun Coal Liquefaction Plant is composed of the hydrogen manufacturing plant, compression plant, coal mixing plant, reaction plant, gas separation plant and the distillation plant. Gasoline, crude petroleum and gas are the main products of coal liquefaction, and all of them are of exceptionally high quality. Together with coal mining, and the shale oil enterprise, coal liquefaction completes the trio of the important undertakings at Fushun and is looked upon by many an expert as a promising industry.

Taking the figures for 1936, Fushun yielded 9,594,000 metric tons of coal out of Manchuria's total output of 13,606,000 metric tons, or approximately 70 per cent of all coal mined in Manchuria in that year. These figures convincingly emphasize the great importance of Fushun as an indispensable supplier of coal, a situation which can be seen more clearly by referring to the figures (for 1934) below :

#### CONSUMPTION OF FUSHUN COAL

Manchuria and Chosen .. .. ..	4,616,000 tons
Japan .. .. ..	2,730,000 ,,,
Exports Abroad .. .. ..	470,000 ,,,
Ship Fuel .. .. ..	855,000 ,,,

Because the output of the mines owned by the Manchuria Coal Mining Company has not yet reached the projected standard, the coal output of Fushun is being relied upon to meet the ever increasing internal demands as a result of the gigantic industrial development plans now being carried out by Manchoukuo; but as soon as the productive capacity of the Manchuria Coal Mining Company reaches the expected stage, the situation will be greatly relieved and more Manchurian coal can be allotted to Japan.

As indicated in the table above, Fushun's contribution to Japan, which was 2,700,000 tons in 1934, seems meager when compared with the Japanese output for that year (33,000,000 tons), but a closer study reveals the fact that since Japan's production is barely enough to meet her internal demand, any amount of coal supplied by Fushun is sufficient to sway the Japanese market

(Continued on page 369)

# New Power Station at Hok Un, Kowloon, Hongkong, Opened

**A**N important stage in the development of The China Light and Power Company, Ltd., was recently marked by the inaugural ceremony which put into formal commission the Company's new power station at Hok Un, Kowloon, Hongkong. The ceremony, held in the huge boiler house of the new station, was attended by about 1,500 people, who were later served with refreshments in the turbine room. The opening was performed by the Governor, Sir Geoffrey Northcote, supported by Mr. L. Kadoorie, chairman of the Board of Directors, who gave a notable account of the development of the company and its new station. Some interesting points from Mr. Kadoorie's speech are given below, followed by a description of the new Metrovick turbo-alternator set which is the first generating unit installed in the new station.

Formed in 1901, primarily for operating an undertaking in Canton, The China Light and Power Company began to operate the first power station in Kowloon in 1903. Its more important history, however, dates from 1918, when in a complete reconstruction scheme the old station site was exchanged with the Government for one at Hok Un upon which, after extensive reclamation work, there was erected the power station which has served since that time. Extensions to the site, mainly by further reclamation from the sea, have since been made, and upon this reclaimed land, within a sea wall of massive granite blocks, there has been built the new power station here described. It is planned to accommodate plant of approximately 60,000 kw. capacity, of which the first unit, a Metrovick 12,500 kw. turbo-alternator set, has now been put into commission, and a second Metrovick set of 20,000 kw. has now been ordered.

The new power station was described by Mr. Kadoorie as frankly designed with an optimistic view of the future, and symbolic

Fig. 1.—The boiler firing floor in Hok Un Power Station

of the faith of The China Light and Power Company in the greater progress and development of the Colony of Hongkong in general, and of the Kowloon and the New Territories in particular. Industries ranging in size from the manufacture of joss sticks to the building of ocean-going steamers, and as different in their nature as the preserving of ginger and the mining of lead ore, are to-day dependent for their operation on power supplied by this station while the area served by the Company amounts to about 200 square miles.

The civil engineering work for the new station included the removal of 20,000 cubic yards of earth, and 5,000 cubic yards of solid rock. The construction of the main building involved the use of 1,350 tons of structural steel, 350 tons of steel bars, 6,000 cubic yards of reinforced concrete, and 2,500 tons of cement supplied by the Green Island Cement Company. Messrs. Davies, Brooke and Gran, of Hongkong and Shanghai, were the consulting architects, and the Hongkong Engineering and Construction Co. Ltd., under the constant personal supervision of its general works manager, Mr. Hugh Braga, were the general contractors.

The building is in general of steel frame construction, faced with reinforced concrete walls, designed to resist the high pressure of typhoons, and to ensure complete water-tightness. It was designed by Mr. S. E. Faber, consulting engineer to The China Light and Power Company, and constructed under his direction. Messrs. Preece Cardew and Rider, of London, were the consulting engineers in connection with the plant and machinery.

The boiler house is 220-ft. in length and nearly 52-ft. wide, while the roof is 100-ft. from the ground level. It is arranged to house four boilers; one boiler with a capacity of 120,000 lb. was erected last year, and another—a 200,000 lb. M.C.R. tri-drum watertube boiler—is in course of completion. Incidentally, the travelling grate stoker of this second unit is the largest in the world. Both boilers were supplied by the International Combustion, Ltd., of Derby, England. The boiler feed pumps are driven by Metrovick type 7872 HRW slip-ring drip-proof motors, rated at 250 h.p. and developing 2,940 r.p.m.

The turbine room lies parallel with the boiler house and is 185-ft. long, 60-ft. wide and 75-ft. to the ceiling. There has already been installed in it a 12,500 kw. turbo-alternator supplied by the

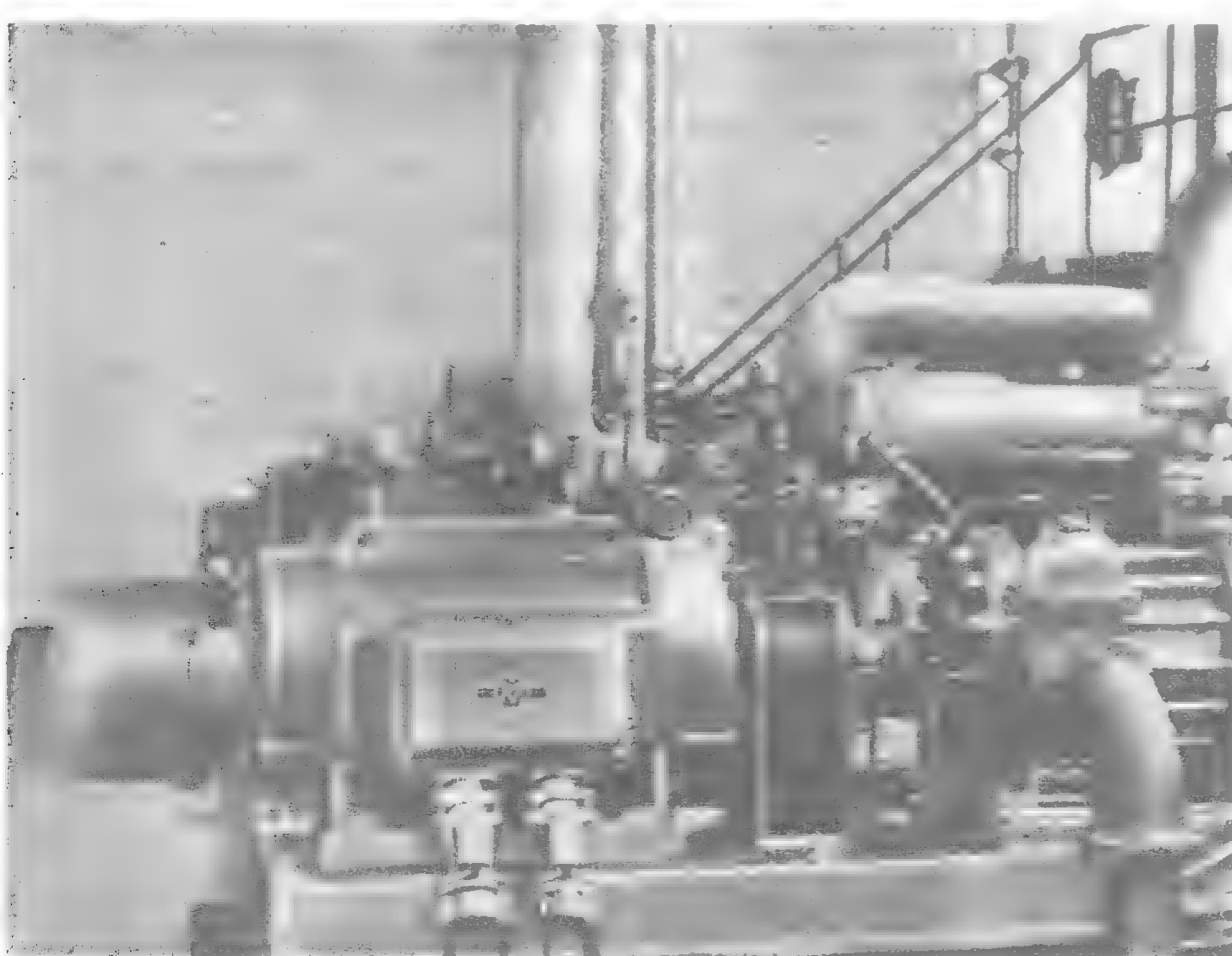
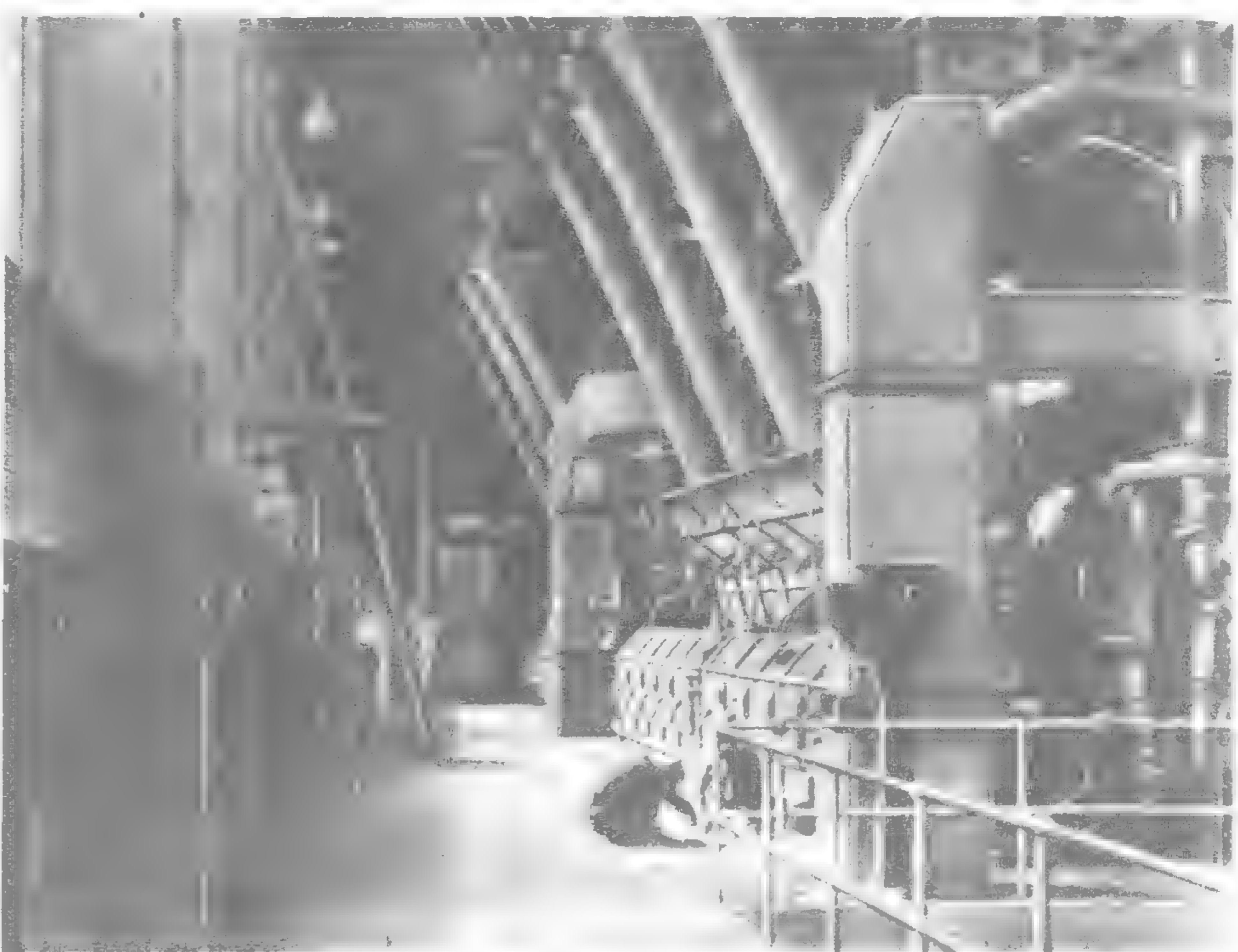


Fig. 2.—Boiler feed pumps driven by Metrovick type HRW slip-ring motors

Metropolitan-Vickers Electrical Co., Ltd., of Manchester. Overhead is a 50-ton travelling crane manufactured by Messrs. Herbert Morris, Ltd., of Loughborough.

All the necessary underground work (such as the building of foundations, the installation of pump pits, and the construction of intake and discharge culverts) in connection with two further turbo-alternators has been completed in readiness for the later installation of additional plant as soon as conditions warrant its purchase.

The high tension switch house accommodating the 6,600-volt switchgear is 110-ft. long, 38-ft. wide, and 17-ft. to the ceiling. It is both physically and electrically sub-divided into four sections separated by fire-walls and fire-doors, with flameproof barriers between the inter-connector switches. Carbon dioxide fire-fighting equipment and separate oil drainage are provided for each compartment. All gear in this switch house was supplied by Messrs. A Reyrolle & Co., Ltd., of Hebburn-on-Tyne.

Next to the switch house and adjacent to the turbine room is a five-storey block containing, in addition to the Station Superintendent's and other offices, a laboratory, mess-rooms, conference room and control room; the last-named has been provided with the latest type of Carrier air-conditioning equipment. An R.C.A. loud-speaker inter-communication system connects all parts of the old and new stations with this room. A separate floor accommodates the multicore control cables which are led through a reinforced concrete duct of ample size to the basement under the switch house.

The Metrovick set, which is the initial generating unit of the station, is rated at 12,500 kw. M.C.R., and is of the single cylinder direct coupled impulse type running at 3,000 r.p.m. The photograph in Fig. 4 shows the characteristic robustness of this type in which relatively large running clearances at the blades are employed.

Designed for inlet conditions of 395 lb/sq.in.g., 625°F., the turbine contains 18 low-velocity high-efficiency stages preceded by a velocity compounded or two-row stage. All parts subject to high pressure and temperature are of cast steel, the steel portion of the casing extending over the first eight stages and incorporating in the top half the steam chest housing four nozzle control governor valves. The remainder of the casing is of cast iron, with the exception of the bottom half exhaust end incorporating the inboard turbine and generator bearings and pedestal, and this is of robust welded steel construction.

The diaphragms of the first eight stages are made entirely of molybdenum steel; they are built up with plate centers to which

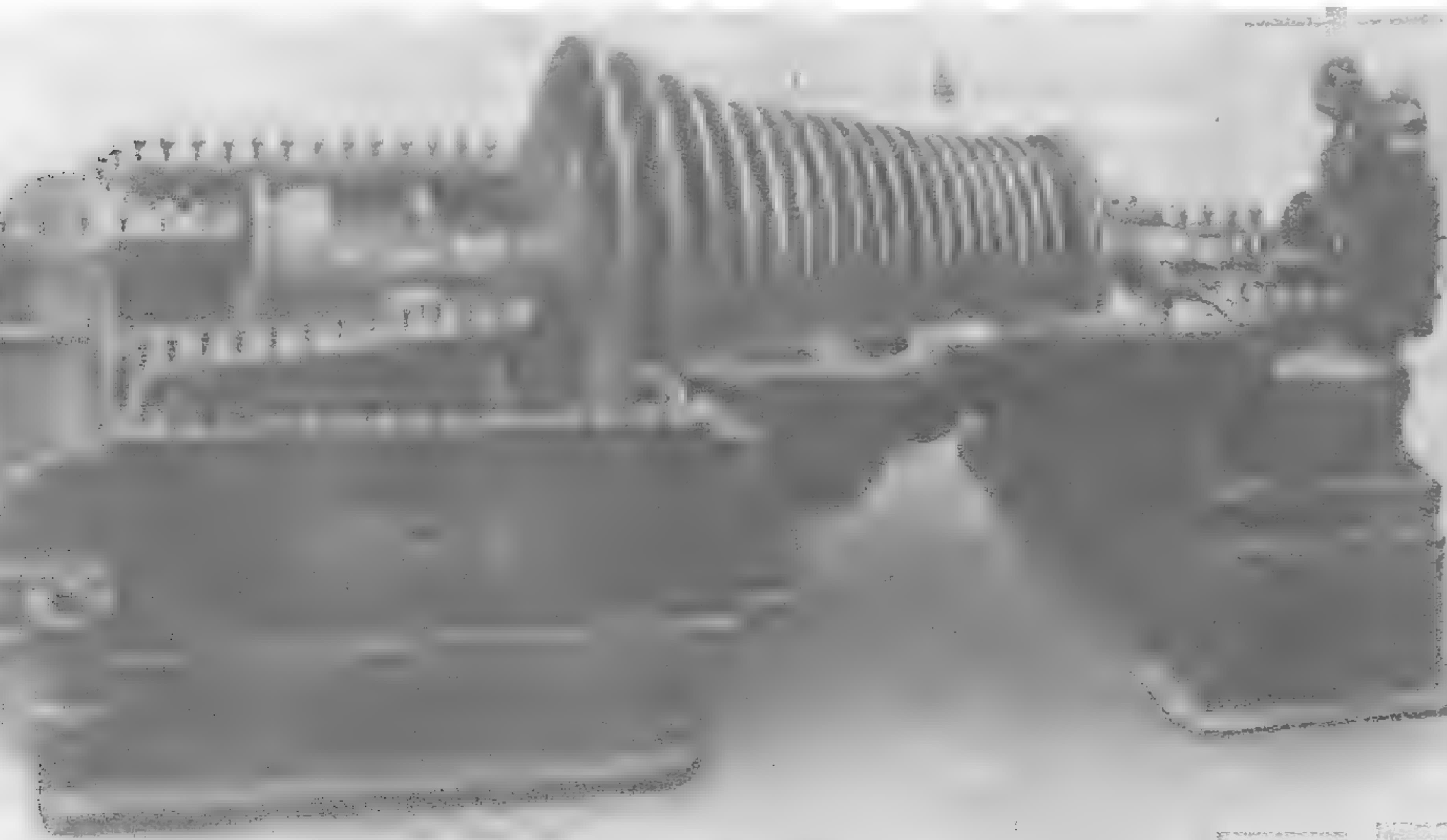


Fig. 4.—Single-cylinder turbine with upper half of casing removed

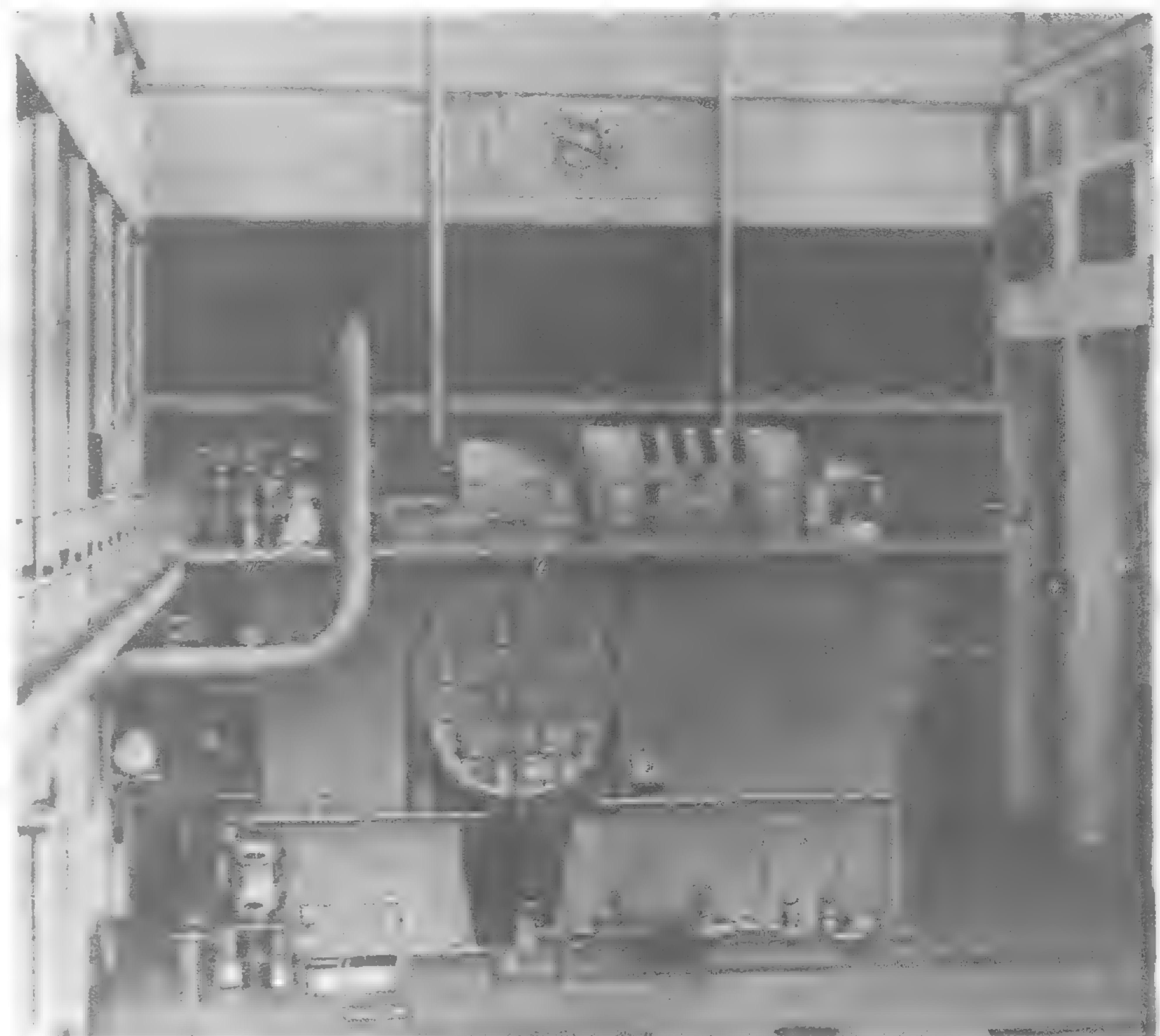


Fig. 3.—General view of the interior of Hok Un Power Station with 12,500 kw. Metrovick turbo-alternator set

are fitted and riveted machined nozzle blades. The remaining diaphragms are of cast iron with cast-in blades of stainless steel. The rotor contains 19 forged steel discs shrunk and keyed on to a mild steel shaft, the blading of the first nine discs being of the T root type, and the remainder, of the straddle root type securely attached to the discs by rivets.

The axial thrust on the rotor, which with the impulse type of turbine is relatively small, is carried by a thrust bearing of the Michell type, the bearing also serving to locate the rotor in its proper axial position.

The spindle gland at the high pressure end is of the radial clearance labyrinth type. It consists of a number of steel rings, each provided with a series of horizontal fins which register with running clearance against radial fins formed on a sleeve on the shaft. Each ring, and also the housings in which they are carried, is backed by a series of flat springs in grooves, so permitting radial movement of the entire gland in the event of accidental contact.

This gland is shown in section in Fig. 5. At the exhaust end the gland is of the water seal type, which consists of an impeller, secured to the shaft, rotating in a housing to which a constant head of water is applied. The rotation of the impeller forms a water seal around its periphery in the housing, so preventing the ingress of air to the condenser. This gland is supplemented by a labyrinth gland to which steam is admitted for starting up purposes.

The main oil supply is provided by a gear wheel type oil pump coupled to the bottom end of the governor spindle. This pump delivers the whole supply at the governor relay pressure, the supply to the bearings being reduced in pressure by means of a reducing valve. An air cooler, of the tubular type, and supplied with water from the circulating system, is interposed between the reducing valve and the supply to the various bearings.

For starting up, shutting down and emergency conditions, a turbine driven auxiliary oil pump is provided. This pump is mounted on the oil tank,

with pump submerged, and is automatically brought into operation in the event of the oil pressure falling below a certain value. The diagrammatic lay-out of the complete oil relay and lubricating system is shown in Fig. 6.

The main governor is of a sensitive vertical type driven by worm gearing from the turbine spindle, and operates the steam governing valves through the medium of an oil relay system. Changes in load on the set with resulting changes in speed cause the governor weights to move the central control piston of a relay valve within a compensating sleeve containing oil ports. This movement causes oil to be admitted to, or released from, an oil-operated power piston operating the steam valves until a steam valve setting appropriate to the load is reached, the movement of the power piston being automatically compensated by the movement of the compensating sleeve back to its original setting relative to the control piston, thus ensuring stability of governing.

For adjustment of running speed or load transference to other plant operating in parallel, both hand and electric motor speeder control are provided. In either instance the adjustment is effected by raising or lowering the setting of the compensating sleeve.

Additional safeguard against overspeed is provided in the form of a bolt type emergency governor fitted at the end of the turbine spindle. It consists of a spring retained plunger which, when moved out by excessive centrifugal force, engages with a trip lever which actuates an oil valve, instantly releasing the oil pressure in the relay system but without affecting the supply to the lubricating system. This action not only allows the governor valves to close under spring action but also releases a trip device on the emergency stop valve bolted to the steam chest, causing it to close instantly under spring action.

A selective device is incorporated in the mechanism operating the governor valves, which enables the sequence of opening of the four governor valves to be changed at will by the operation of one or both of two small hand levers. By such means, and by suitably proportioning the four nozzle groups controlled by the valves, it is possible to provide six loadings at which throttling losses are entirely avoided, while at intermediate loads such losses are reduced to negligible values.

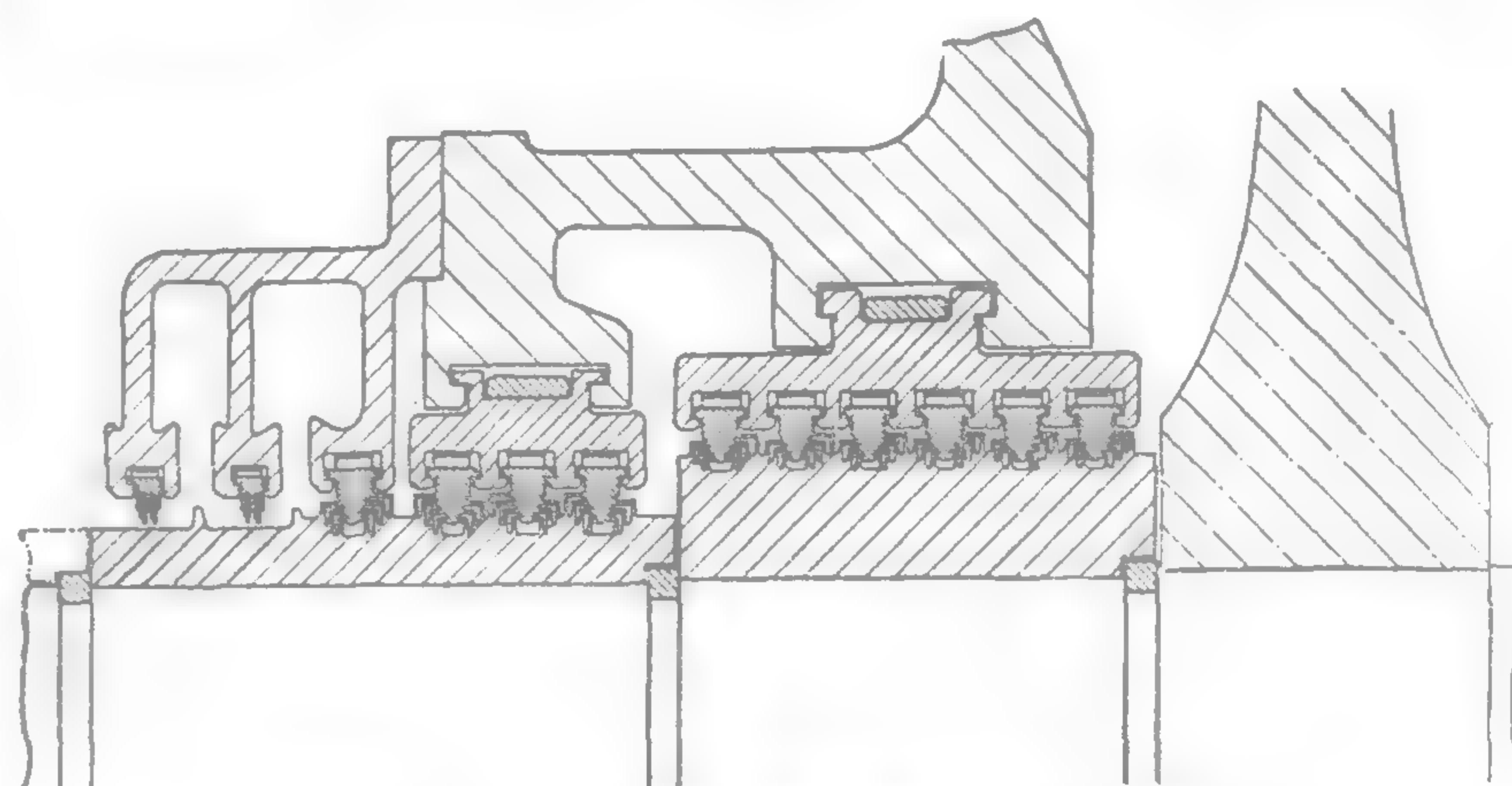


Fig. 5.—Section of typical high-pressure gland

The condenser is of the Metropolitan-Vickers Central Flow type, and has a cooling surface of 16,000 square feet. It is normally supplied with 11,000 g.p.m. of cooling water at 85°F. The characteristic feature of this type of condenser is the access of exhaust steam to practically the whole periphery of the tube nest and the withdrawal of the air from the center.

This design results in a number of important advantages. Firstly, the pressure drop on the steam side across the tube nest to the air suction is relatively small, and this results in a high rate of heat transmission. Secondly, the final temperature of the condensate leaving the condenser is high, as the greater part of the condensed steam falls through a steam atmosphere before it is collected in the condenser base. Thirdly, the withdrawal of the air from the center results in the atmosphere at the base being principally water vapor with no air concentration, and the condensate withdrawal at the latter point results in the oxygen content being extremely low, thus rendering the employment of separate deaerating plant quite unnecessary.

The condenser shell is of welded steel construction, and is bolted directly to the turbine exhaust flange. The tubes are of 1-in. dia. Admiralty mixture. The water flow is divided, with separate water box doors on each flow, enabling either half of the tube nest to be cleaned while the other is in operation.

The condensate is withdrawn from the condenser by motor-driven extraction pumps installed in duplicate, while the air is dealt with by duplicate two-stage steam-operated air ejectors.

The feed heating system consists of two low pressure and one high pressure feed heater, each supplied with steam tapped from a point in the turbine expansion, together with a drain cooler, while the inter and after coolers of the air ejectors through which the feed passes also constitute a supplementary feed heating stage. It should be noted that a connection is provided from the surge tank back to the condenser, through which a portion of the feed is continuously recirculated, and the feed in the tank is thus maintained in a deaerated state.

The make-up supply to the closed feed circuit is provided by means of a Metropolitan-Vickers straight tube type evaporator incorporated in the feed heating system. The evaporator operating steam is diverted from the turbine with the supply to the second low pressure feed heater, after performing work in the turbine, while the evaporated make-up is condensed in the first low pressure heater from which it ultimately passes to the condenser.

The feed heating system provides for a final feed temperature leaving the

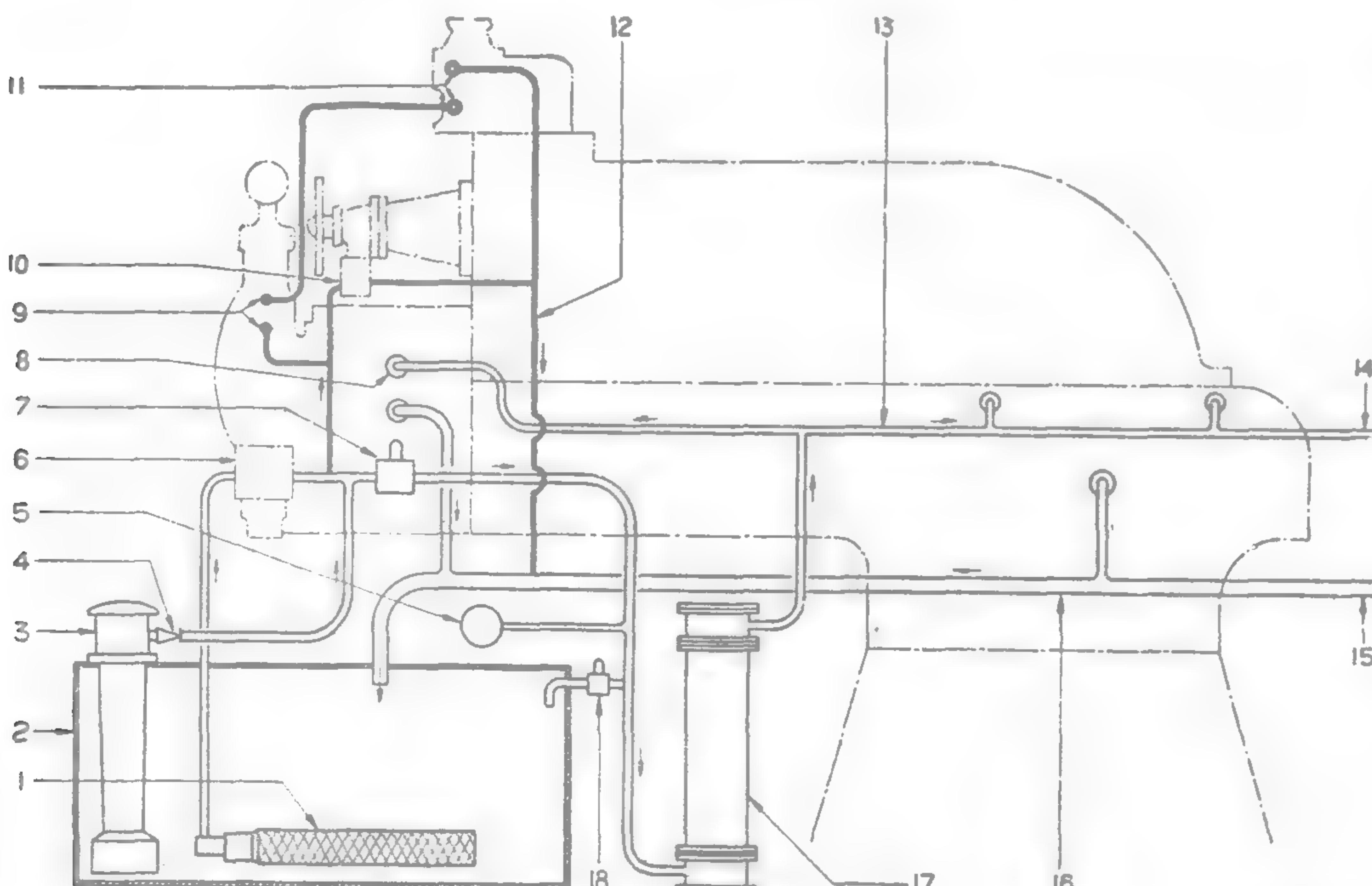


Fig. 6.—Diagram showing arrangement of lubrication and oil supply for operating governor valves on single-cylinder turbine

- (1) Oil strainer
- (2) Oil tank
- (3) Auxiliary oil pump
- (4) Non-return valve
- (5) Regulator
- (6) Main oil pump
- (7) Pressure reducing valve
- (8) Oil to thrust and journal bearing
- (9) Governor relay valve
- (10) Oil trip on stop valve
- (11) Governor valve power piston
- (12) Oil drain

- (13) Oil to bearings
- (14) Oil to outboard bearings
- (15) Oil from outboard bearings
- (16) Oil return to tank
- (18) Low pressure relief valve

high pressure heater of 275°F. at the maximum rating of 12,500 kw.

The alternator, which is coupled to the turbine by a semi-flexible type coupling, is rated at 15,625 kva at 6,600-v. 0.8 power factor, 3-phase, 50-cycles.

The stator yoke is of welded steel construction, in which is assembled the core, consisting of some 48,000 high permeability low loss silicon steel lamination plates. The stator winding is of the involute, or basket, type, the coils being secured in open slots by bakelite wedges. In order to withstand the large forces which occur under sudden short-circuit conditions, the end windings are supported by insulated bolts and clamped to aluminium alloy brackets.

The rotor shaft and body consists of a solid forging having radial machined slots to hold the field windings, which are held in position by dovetailed key strips of steel, while the end windings are held by non-magnetic steel sleeves. There are in all some seven miles of insulated copper strap in the stator and rotor windings. The alternator rotor is excited from a direct coupled overhung type exciter having a radial commutator.

The alternator is provided with a closed type ventilating system. The cooling air is circulated in the closed circuit by means of fans at each end of the rotor, the air being continuously cooled by passing it through an air cooler interposed in the circuit. The cooler consists of a bank of wire-wound tubes through which cooling water is supplied

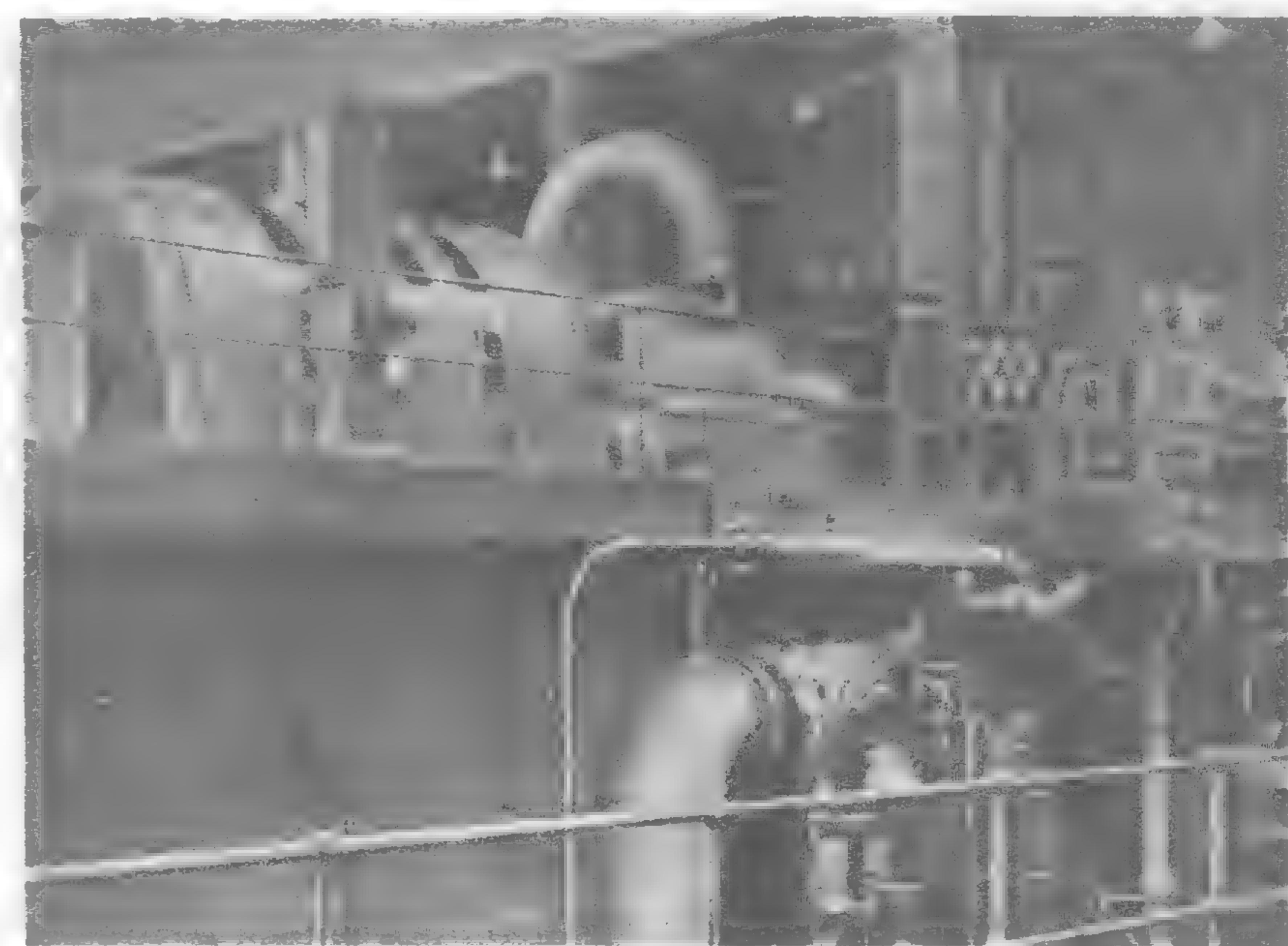


Fig. 7.—View of turbine platform, showing also the ejector

from the circulating water system. The ventilating air is conveyed to internal parts of the rotor and stator through suitably placed ventilating ducts.

## Fushun: Mining Metropolis

(Continued from page 365)

price. This is one reason why coal dealers in Japan hold Fushun coal in high respect. In short, Fushun coal regulates and stabilizes coal prices in Japan. The development of coal mining in Japan is to a great extent due to the development of coal mining at Fushun. Thus, Japan owes a great deal to Fushun for Japan is now ranked among the leading coal producing countries.

As pointed out above, the Fushun Collieries play an ever important rôle in the industrial circles of Japan and Manchoukuo, but in ensuring a long life of usefulness a far-reaching policy must be followed. In consequence, the S.M.R. adopted a policy not long ago, with the approval of government offices concerned, for lengthening the life of the Fushun Collieries and consequently lengthening its contribution to the industrial development of Manchoukuo by rationalizing exploitation of resources. The coal deposits of Fushun still reach a stupendous amount, but if mining goes on at the present rate of approximately 10,000,000 tons or thereabouts annually, Fushun will no longer yield coal, the quality of which can seldom be found elsewhere, within 40 or 50 years. Fushun coal is of exceptionally high quality. It is too good to be wasted for home heating or other ordinary purposes. The Fushun coal fields are located in the middle of the greatest industrial area of Manchuria which centers around the city of Mukden. This area will undoubtedly remain the center of Manchuria's industrial activities. To deplete the rich mineral resources found in this active industrial center within 30 or 40 years is hardly a wise policy. Furthermore, Manchoukuo must develop as soon as possible the coal mines in the interior in order to create additional sources of coal which Japan and Manchoukuo are so badly in need of to-day. Such being the situation, the coal output of Fushun should not be indiscriminately increased, and the executives adopted a policy calling for the maintenance of the present output. This does not mean, however, that there will be no further progress at Fushun. There is still much room for mechanical progress which can be achieved parallel with the policy of conserving resources. Mining methods can be further modernized, the mining ratio improved, and mining costs lowered.

In the meantime Fushun will concentrate its efforts on supplying high grade coal to the extent of more than 10,000,000 tons per year, on developing the shale oil and coal liquefaction industries, and on expanding electric generation, all of which are of vital importance to the major industries of Japan and Manchoukuo, and which go to make the city of Fushun the mining metropolis of Manchuria.

## Philippine Manganese Industry

(Continued from page 362)

the Compañía Minera de Filipinas, and Fernandez Hermanos. The mines all lie within 25-40 kilometers of Coron, and are reached over fairly good roads. An important new deposit is now being developed at Borac, on the east coast, where a large tonnage is indicated.

Living conditions on Busuanga are not particularly good. The country has a reputation for being malarial especially in the dry season. There are scanty accommodations, and steamer service from Manila to Coron may be irregular. Good miners are scarce, but the natives are willing to learn. The country is easy to prospect, and presents few difficulties, as much of it is open, and heavy forests are generally absent. It appears very likely that there are many small manganese deposits that can be developed and mined with little capital expense, which in the aggregate should provide a considerable tonnage of ore for many years. It is also reasonable to believe that some deposits of major importance will be found that may justify large scale operation. It is interesting to note that manganese, and manganese alone, is the only mineral thus far found on the entire island.

## Tungsten in Manchuria

An initial survey of the Tungsten deposits in Shuyen and Fengcheng in Antung Province by the Tatung Industrial Company of Mukden and other interested circles has revealed that the deposits are of excellent specimens containing 4.6 per cent tungsten.

The Tatung Industrial Company has applied to the authorities concerned for the right to lease six places in Antung and Fengcheng where these deposits are found, and upon the granting of official sanction will begin mining operations.

With the view of co-operating with the Tatung Industrial Company, the Antung Provincial Government dispatched the Chief of its Mining Section to the district. The Chief is now negotiating with the Company to adopt the best measures for the mining operations and for inspecting the progress of the prospecting work as well as the ores obtained from the six mines.

# Foreign Trade Zones Law and Regulations

By ROBERT STARR ALLYN, Deputy Commissioner of Docks, New York, U.S.A., and Supervisor of Foreign-Trade Zone

(The Dock and Harbor Authority)

(The following was an address delivered at the Convention of The American Association of Port Authorities at Milwaukee, Wisconsin, October, 1939)

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**A**RECENT publication on the subject of Customs History suggests that the word "tariff" had its origin in a tax or "hold up" charge levied upon travellers by a tribe of bandits. While I very much doubt this, it is highly suggestive of a philosophy which naturally and perhaps necessarily goes hand in hand with the administration of a tariff system. Favoritism and irregularity, of course, cannot be tolerated. Room for the exercise of discretion means room for graft. Laws, therefore, must be strictly enforced. The revenue must be protected or someone will get into trouble.

A study of the decisions of the courts in Customs' cases shows that there is an endless field for litigation in the Customs law and regulations. Wherever there is a doubt it is almost always resolved against the importer. He is *prima facie* guilty of undervaluation if the appraiser says so and may be so found even though the court may find the appraiser wrong.

A tariff is a tax, and who likes a tax? If I recall it, taxation was one of the main causes of the revolution and interstate tariffs were important stumbling blocks against and reasons for the final union of the States.

It is not surprising that smuggling while illegal has not always been regarded as bad form. In fact, one can develop considerable sympathy for some of those who have sought to evade the intricacies and letter of tariff law. Free trade advocates have called a protective tariff by all the available "cuss" words.

A tariff may be for revenue only or to regulate commerce, and more recently tariffs are the subject of trade treaties.

What with the Interstate Commerce Commission, the Maritime Commission, the Treasury Department, the Agricultural Department, the Labor Department, the Interior Department, the Department of Justice, etc., I often wonder how a merchant dares to try to do business. Conditions are getting worse and worse as more prohibitive and restrictive laws are passed. Regulations and inspections multiply supposedly to protect the health, safety and interests of the public or parts of the public.

## The Celler Act

The purpose of the Celler Act was, broadly, to promote foreign commerce. I take it that this means in large measure to "cut red tape" and make it easier, quicker and cheaper for merchants to move goods to and from the United States.

The idea of Free Ports has been developed successfully in many foreign countries and it has been studied here for many years.



New York's waterfront

So far as I can ascertain the Treasury Department openly opposed the idea of the establishment of Free Ports in the United States. At a hearing before a sub-committee of the Committee on Ways and Means of the House of Representatives investigating the matter in 1933, the Acting Commissioner of Customs said: "The Treasury Department has always been opposed to these bills." A study of his reasons unfortunately throws but little light on the subject. I will quote a few of the more striking comments as to the reasons for such opposition.

"It is just because this is unnecessary legislation. You can do all these things now under existing law. It would provide an opportunity for smuggling." He thought it would "cost the Treasury Department a lot of money," but didn't know how much. When asked as to the difference between the practice in foreign free ports and the practice proposed in the United States he said, "I do not know—to my mind, the whole thing is hazy."

In view of this attitude of the Treasury Department it seems unfortunate that that Department should have been given the task of drawing up the rules and regulations as to the supervision of zones, the storage of privileged domestic and privileged foreign merchandise and the manipulation of merchandise as well as the entry into customs territory. In my opinion, the regulations controlling operations of a zone are much more exacting than one would have expected under the terms of the Celler Act. The philosophy of a life-time of civil service cannot be laid aside like a shawl.

### Early Efforts

As early as 1914 the Merchants' Association of New York recommended that provision be made for Free Ports for the advantage of shipping as well as merchants and manufacturers. This followed a referendum to its members and to the press. Out of 250 answers, 167 were in favor and only 27 against, the balance being neutral. It is especially interesting to note that reference is made in the report to the opposition of bonded warehouses in Bremen to their Free Port for fear of loss of business—but that growing traffic had taken care of them and brought success to all.

In 1918 the Industrial Bureau of the Merchants' Association of New York argued in favour of the installation of a Free Port in New York Harbor. This was opposed by a large warehouse operator on the grounds that; there was no large foreign population within reach of New York; factories could not be located in a Free Port: the United States is not a large exporting nation and that the United States produces most of its raw material. Mr. Henry R. Towne, and others, replied to him forcibly.

Mr. D. C. Mills, of the Fur Industry, advocated Federal financing and control of Free Ports.

In 1918 the Chamber of Commerce of New York State approved the idea of Foreign-Trade Zones and in 1926 the Chamber framed a resolution in favor of the so-called Jones Bill, but recommended that authority be vested in a committee and that zones be operated and maintained by the Federal Government and not by public corporations.

Their favorable attitude was reiterated in 1932.

In 1934, strange to say, the Chamber of Commerce reversed its previously favorable stand on recommendation of a committee to which a warehouse representative had been added!



Aerial view showing the area of the Foreign-Trade Zone, Staten Island, New York

The United States Tariff Commission in 1919 investigated the subject of Free Zones abroad and the possibility of establishing such zones here and reported favorably. They suggested that the term "Neutral Zone" was more properly descriptive. "The function of a free zone is to eliminate, as far as may be, hindrances and delays to commerce and to facilitate foreign trade."

In many places of discussion of the subject will be found statements to the effect that a foreign trade zone or free port is primarily intended to handle goods intended for export or re-export—but there is nothing in the Celler Act which suggests such a limitation. In fact even the counsel for one of the great Warehousemen's Associations stated at their 1938 Convention that "there is nothing in the Foreign-Trade Zone Act that prohibits Foreign-Trade Zone storing non-dutiable merchandise." Nor should there be any such limitation.

### Restrictions and Prohibitions

Some people have queer ideas as to what a Foreign-Trade Zone is intended to be in the United States. We will, therefore, start off with a statement of what it is not. The Celler Act prohibits manufacture and exhibition and states that you may not bring in certain prohibited goods. Aside from that, so far as the law is concerned, you may bring in any other merchandise, domestic or foreign, and mix them, assemble, etc., etc., and store them as long as you wish without payment of duty and without inspection.

A New York lawyer recently told me that we had no right to import merchandise through the Zone as that was not foreign commerce! Some seem to think we should only handle goods for re-export.

The law quite plainly was intended to create areas adjacent to United States ports where goods of all kinds and condition could be brought and stored without bonds indefinitely for examination, cleaning, sorting, assembling, repacking and manipulation of all kinds without being subject to the Customs Laws. This means all of the Customs Laws, including those relating to tariff and inspections.

One gentleman, supposedly familiar with warehousing and Customs regulations, said:

"There is nothing you can do in the Zone that we can't do in our warehouses." Later, he said, "You shouldn't take

any goods into the Zone that we can handle in our warehouses." Can't, can't!!! Well-known warehousemen and their attorneys have said: "We are not opposed to your Zone—we believe in the idea," but, "there isn't a thing in the Zone that we couldn't handle."

Now let us see what the facts are. First, the law was intended, as its title states, "to expedite and encourage Foreign Commerce and for other purposes."

Warehousing is not commerce, but it encourages or discourages commerce depending upon whether it provides safe, convenient and cheap storage. Every bit of customs supervision, every duty, every required inspection, every limit as to time, every control over examination or limit on breaking up packages or bringing in part of a package or lot, every bond required of the owner of goods, discourages commerce, adds to its burden, tends to limit the importation, tends to put commerce in a strait-jacket pressing on its vital organs, its pockets and circulation.

Congress, therefore, provided for the creation of Zones, sometimes called Free Ports, in order to eliminate the red tape of customs laws and permit merchants to bring in goods to these Zones and store them for such purposes as they wish, except such as are prohibited.

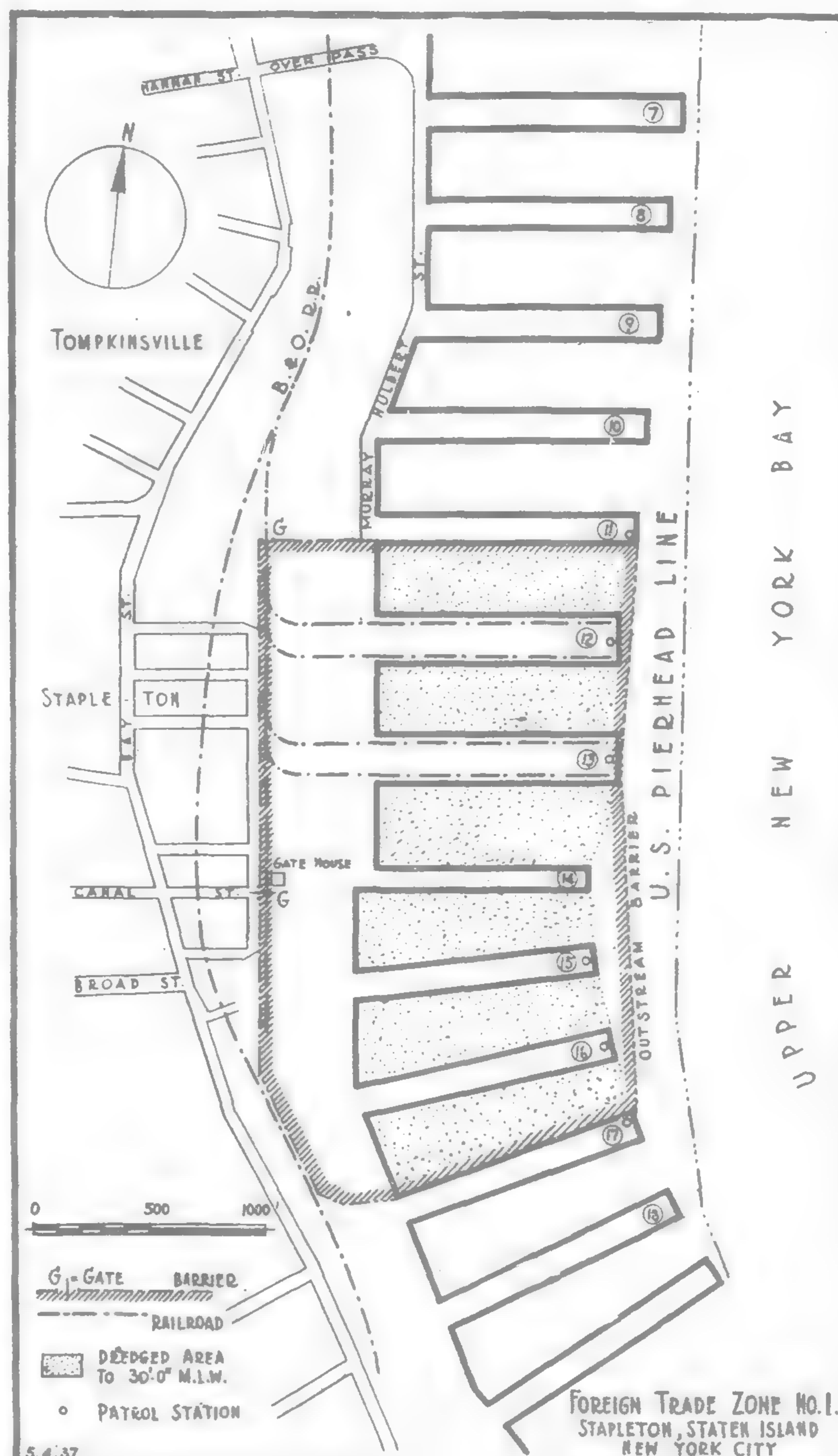
Storage may be followed by inspection, destruction, reclamation, exportation or importation. So far as the law is concerned it is none of the business of the operator of a zone what the owner wants to do with his goods. As the law requires a zone to be operated as a public utility it would appear that a merchant could demand accommodations for his goods subject only to availability of space and ability to safely handle them and subject to control of any manipulation by customs authority.

All kinds of merchandise are admissible under Section 3 of the Celler Act "except such as is prohibited by law" and "without being subject to the Customs laws of the United States." As yet, we do not know what is meant by "prohibited by law."

Section 13, however, gives to the Board the right to exclude from a zone "any goods or process of treatment that in its judgment is detrimental to the public interest, health or safety."

Apparently until and unless the Celler Act is amended there are no goods excluded from a zone except such as are or may be excluded by order of the Board. Prohibition against entry under the customs law of course does not apply by the very terms of Section 3 of the Celler Act. The intent of the law to provide for neutral non-customs areas is clear.

The Board has in Article 802 of its rules repeated the prohibition of Section 3 of the Act and then proceeds to provide for the regulation of admission of goods, the importation of which into the United States is restricted but not absolutely prohibited, such as certain classes of merchandise as set forth in Chapter X, Customs Regulations of 1931. This would seem to be contrary to the



and involves direct contact with various Bureaus and Divisions, such as:—

- The Customs Bureau
- The U.S. Public Health Service
- The Federal Alcohol Administration
- The Bureau of Narcotics
- The Bureau of Animal Industry
- The Bureau of Entomology and Plant Quarantine
- The Bureau of Plant Industry
- The Division of Seed Investigation.

The Bureau of Immigration is, of course, concerned with immigration which takes place through a Zone.

Importation into the United States is restricted or prohibited of articles of the following categories unless permits are granted by the Government agency having supervision.

- Living disease organisms and vectors
- Animals, insects and cultures infected with human disease
- Viruses, serums, toxins, etc., for the treatment of man or domestic animals
- Narcotic drugs and opium
- Live ticks, mites, mosquitoes, fleas, flies, bedbugs, lice
- Honey bee adults
- Live land or fresh water mollusc

intent of the law to avoid customs regulations. On the other hand, the duty of the Board under Section 9 of the Act to co-operate with the various Federal, State and Municipal agencies would naturally lead the Board to recognize proper national and local standards as to public policy, morals, health and safety. As the Board has the power to exclude it would appear to be entitled to regulate. There is considerable doubt, however, if the power to regulate can be delegated to other government agencies. The responsibility for the decisions by other agencies must therefore rest upon the Board itself.

The Board has by special order prohibited the bringing in of gold except in fabricated form. Its prohibition against silver has been withdrawn.

Among the special acts of restriction or prohibition are:—

- The Narcotic Drugs Import and Export Act
- The Federal Liquor Control Act
- The Tariff Act of 1930
- The Food and Drugs Act
- The Meat Inspection Amendment
- The Tea Act
- The Import Milk Act
- The Caustic Poison Act
- The Insecticide Act
- The Whaling Treaty Act
- The Insect Pest Act

and treaties with Great Britain, Mexico, Canada and other countries.

The administration of these acts comes under the supervision or authority of the Departments of Agriculture, Commerce, Justice, Labor, Post Office, State, and Treasury

Bureaus and Divisions,

Sub-standard foods and drugs  
 Sub-standard tea  
 Insecticides, fungicides, etc.  
 Meat and meat products, including hides and casings  
 Animals and meat from rinderpest infected areas  
 Certain plants, seeds, fruits and vegetables  
 Mongoose, flying foxes, fruit bats, English sparrow,  
 starling and other birds and animals declared to be  
 obnoxious by the Secretary of Agriculture  
 Other wild animals and birds, nests and eggs  
 Baleens and whale-bone, whales and products  
 Certain halibut  
 Pepper shells  
 White phosphorous matches  
 Hides and rags—subject to quarantine  
 Inedible greases  
 Plumage of wild birds, unless for educational or scientific  
 purposes.  
 Certain fur seal skins and sea otters skins  
 Liquor in certain prohibited containers  
 Goods made by foreign convict or forced labor  
 Prize fight films  
 Counterfeit coins or securities and plates and dies, etc.,  
 for making them  
 Products of country which the President finds has dis-  
 criminated against the United States  
 Articles which the President finds have been involved in  
 unfair competition or tending to injure or restrain  
 American industry or commerce  
 Books or writings advocating treason, insurrection or  
 threatening bodily harm upon any person in the  
 United States  
 Immoral or obscene books, pictures, etc.  
 Drugs, etc., for preventing conception  
 Lottery tickets and advertisements  
 Articles bearing certain registered trade-marks  
 Books protected by United States copyrights and plates for  
 reproducing them and improperly marked books, etc.  
 Goods falsely marked as to country of origin  
 Business cards, etc., similar to the design of coins of any  
 country

In most cases there are exceptions, conditions, permits, certificates, etc., which result not in absolute prohibition but in restriction which in some cases may be overcome. In all these cases it would appear that the articles should be admissible to a Zone at least for the purpose of examination without becoming subject to seizure unless and until prohibited by the Board or by a Celler Act Amendment.

The only items which appear to be absolutely prohibited entry into the United States are:—

Animals and fresh meat from countries where rinderpest or foot and mouth disease have been determined to exist and any by-product of animals affected by anthrax or rinderpest  
 Pepper shells  
 Mongoose, flying foxes, fruit bats, English sparrows, starlings and other birds or animals the Secretary of Agriculture declares injurious  
 Animals and birds the taking of which is forbidden in the country of origin  
 Parrots  
 White phosphorus matches  
 Opium consigned to Chinese subjects  
 Books and other writings advocating treason or insurrec-  
 tion against the United States or threatening bodily  
 harm upon any person in the United States  
 Immoral books and pictures  
 Lottery tickets and advertisements  
 Prize fight films or pictures for public exhibition  
 Goods made by convict or forced labor  
 Articles barred by Presidential proclamation  
 Counterfeit coins and securities and dies and plates for  
 making them  
 Business cards simulating coins

Whether these or other items may be excluded from a zone has yet to be determined. So far as these are excluded from the

United States by Customs laws alone it would appear that they might be admitted to a zone unless the zone operator wishes to exclude them for adequate reason.

It is believed that the operator has the right to refuse admission of anything that might lead to trouble, regardless of whether it has been specifically excluded by law or by orders of the Board. It is quite obvious that no zone operator would care to have dangerous or harmful goods in the zone.

### Exclusion by Treasury Regulation

Why the Secretary of the Treasury should have felt called upon to issue regulations with definitions, some already in the law and other new ones and purporting to regulate things apparently outside his jurisdiction, is difficult to see.

Of course, as a member of the Board he has a voice in issuing its orders and regulations. Aside from that, his powers as set forth in the Celler Act include only the following six:—

- (1) To supervise and regulate the storage and manipulation of so-called "privileged foreign" merchandise.
- (2) To prescribe rules and regulations for the disposal of such merchandise not sent into customs territory within two years and paying over to the owners of the property any amount which remains after payment of the duty.
- (3) To issue such regulations respecting the identity and the safeguarding of the revenue as he may deem necessary to control the taking into a zone and bringing back into customs territory articles, the growth, product or manufacture of the United States and articles previously imported on which duty has been paid, or which have been admitted free of duty.
- (4) To prescribe regulations with respect to vessels entering or leaving a zone in order to protect the revenue.
- (5) To assign customs officers and guards to protect the revenue and to provide for the admission of foreign merchandise into customs territory.
- (6) To approve all rules and regulations issued by the Board concerning the protection of the revenue.

Notwithstanding these limitations under the law, we find that a strange new class of merchandise, neither foreign nor domestic, has been created by definition which excludes from a zone all foreign merchandise in customs territory unless it is duty free or unless all duties and penalties have been paid.

The Secretary also requires a special form of bond for double the estimated duties on privileged foreign merchandise—much more expensive than an ordinary importer's bond.

Section 3 of the law provides for the liquidation of duties on goods when unladen in a zone and for the payment of the duties upon importation within two years. In case the goods are not imported within two years the Government shall dispose of the merchandise under rules to be laid down by the Secretary of the Treasury. Out of the proceeds the duties are to be paid and the remainder, if any, shall be delivered to the owners of the property. In spite of this provision of law, the rules set up require the consignee to file a bond in a specified form in double the amount of the estimated duties, which sum shall be paid whether the articles have been wholly consumed or destroyed, exported, sent into customs territory or otherwise disposed of. This bond being entirely new and the risk undermined the rate is, of course, high. Thus far no one has taken advantage of this so-called "privilege."

The rules for maintaining the identity of "privileged domestic" merchandise are very strict. It may be kept only in places secured by customs locks or seals and may be withdrawn only under the immediate supervision of customs officers.

The philosophy of the Customs service is, of course, by law—protect the revenue at all costs. "Never give a sucker a break" might have been originated by a student of customs law cases.

It is my idea that the Celler Act was intended to provide a place as free as possible from all the intricacies of customs law and regulations and I believe that that was the basic intent of the law.

One of the important advantages of the Zone is that goods may be stored there indefinitely and manipulated and still retain the rights to receive the favorable import railroad rates in force to interior ports.

## Construction Work

Construction work in the Zone, of course, is a continuous operation. New work and reconstruction is going on all the time. The Board has therefore required the United States District Engineer to pass upon all plans within the scope of the grant. No "deviation" from the original grant can be made without the consent of the Board. This is understood to mean a material change of plan. Deviation means change of direction or purpose. We find nothing in the law or rules to require the Board's approval of plans for additional buildings or other facilities unless they are to be constructed by outsiders.

Our original plans contemplated two large seven-storey buildings for storage and manipulation. Under conditions thus far existing it has seemed unwise as yet to construct such buildings. The Board has accordingly deferred this requirement.

During the past year a great deal of work has been done looking to improvements and additions to the facilities of the Zone. One project contemplated a secondary water supply and pump system intended to reduce the fire insurance rates. This was in addition to the most modern sprinkler alarm systems, City fire alarm connections and distributed fire extinguishers. Combined with this water tank and pump system was to be a battery of tanks for the storage of vegetable and fish oils and the necessary pump and delivery lines with ship and rail connections. An enlarged gate house or customs and operator's office building was also designed. Demands for the storage of valuable goods and for the control of temperature, etc., led to the design of what was called a general utility building. All of these have been approved by the United States District Engineer, but were bitterly opposed by local warehouse interests. Notwithstanding these objectors the City appropriated some \$389,000 for this and other work to be done as W.P.A. projects. On account of the protests of the warehouse interests a public hearing was held in Washington by the Foreign-Trade Zones Board. As a result, the City was sustained in every respect.

## Warehouse Opposition

Some of the warehousemen of New York in 1938 sought to secure some sort of control of operation of the New York Zone. No definite proposal was made, but previous experience with some of them did not seem to warrant repetition. Threats were made of litigation and pressure was exerted against the Board in Washington to interfere with the operation of the contract with the New York Foreign-Trade Zone Operators, Inc., on the ground that it was a lease, but the Board ruled that the contract did not violate Section 17 of the Celler Act on which the main complaint was based.

Our warehouse opponents contend that they are in favor of a Foreign-Trade Zone, but their ideas of the limitations of a zone are such as to remind one of the party who said she thought the speaker was a wonderful orator but she hoped he would choke.

In this connection, I would call your attention to the proceedings of the American Warehousemen's Association last February. Resolutions opposing the use of Federal funds for the development of foreign trade zones and suggesting amendments to the Celler Act which would restrict them, in effect, to re-export trade and require control of rates and prevent competition with existing public warehouses were adopted without a single word of discussion although committees had listened to the opponents of foreign trade zones.

In view of the repeated statements that a Foreign-Trade Zone had no advantages not possessed by other public warehouses, it is highly instructive to note a report made by the chairman of a committee on Bonded Warehouses of the American Warehousemen's Association. In this report he appealed for an amendment to the present customs regulations so that "merchandise may be cleaned, sorted, repacked and otherwise changed in condition in order to equal the advantages or privileges on certain commodities now apparently enjoyed by Foreign-Trade Zones."

He specifically had "in mind the bringing into a Class 3 bonded warehouse with Class 8 privileges, unlabelled meat products such as corned beef, roast beef and dog food, for the application is said warehouse of the labels of the buyer as consignee," an operation which has been developed in our zone to the great advantage of

the importer and to his customer merchants throughout the United States and foreign countries.

The chairman also recommended amendments to the customs laws to require that duty to be paid only "on the quantity and weight as goods are delivered." This is exactly one of the present advantages of the use of a Foreign-Trade Zone. "This in marked contrast to the facts with respect to customs bonded warehouses, in which duty is assessed upon quantities and weights at the time of storage, affords material benefit to certain types of imported merchandise. Liquors, in bulk, for example, the gauge of which changes considerably in storage, are subjected in a Foreign-Trade Zone to considerably less duty when delivered from the zone than from a customs bonded warehouse. A similar state of facts exists in the case of Brazil nuts which lose weight while in storage. It is likewise alleged that no duty has to be paid on spoiled goods in a zone, whereas such duty is assessed in customs bonded warehouses."

He would have the laws amended so that bonded warehouses could have the advantages of Foreign-Trade Zones. The idea is excellent, but entirely overlooks the obligations which the grantee of a zone privileges has. If the Treasury Department was opposed to the present Act what will be its attitude toward granting the same privileges to Customs Bonded Warehouses?

Of course, there is bound to be some competition. Brazil nuts can be stored in any warehouse but without the Foreign-Trade Zone advantages. We believe our rates are fair—not so high as the highest—not so low as the lowest available in the port. In a sense, therefore, we are competitors of houses which can store nuts but under less advantageous conditions.

Counsel for the Warehousemen's Association vigorously champions his client but becomes over zealous when he pretends to analyse the contract between the City and the New York Foreign-Trade Zone Operators, Inc., as to the relative share of proceeds. He admits that his analysis is "not with a great deal of accuracy." I would say "not with much accuracy." To say that the "operator" gets \$75,000 after deducting operating expenses and before dividing with the City I would say was a pretty substantial error. Perhaps in his scale \$75,000 extra is only a "little inaccuracy." Is that a measure of the accuracy of his other comments?

Among other statements quite misleading, to use the most polite term, reported in the Warehousemen's Year Book, is one supposedly quoting a gentleman from New York to the effect that 4,000 barrels of vegetable oil were taken from his warehouse to Zone No. 1. Our records show only one shipment to the Zone of China Wood Oil of about 300 barrels for remarking and 307 pounds of garlic oil stored, both in 1937. No other vegetable oil came in 1937 or 1938 and none of this is believed to have come from the warehouse in question.

## Operation

If a zone is to be any comfort to an importer he should be allowed to bring in anything he likes. In fact, the grantee has no declared right to enquire why the applicant wants to go to the Zone or what he proposes to do. He may not know. Part of his cargo may be transhipped, part imported.

It would certainly greatly hamper the importer or merchant if he were prevented from landing or storing in a zone duty free goods. If he had two lots on a ship, one duty free and one dutiable, he would have to make two stops for his cargo—one outside the Zone and one inside. Sometimes the classification is uncertain or unknown. The Zone is a safe place to leave the goods and find out their condition before attempting entry.

It is ridiculous to think that operation of a zone can be restricted to the handling of goods for transhipment or re-export. There is nothing whatever in the law to suggest such a limitation. It is inconceivable that anyone, any city or private corporation would seek for the grant of a Foreign-Trade Zone right excluding the handling of domestic and duty free goods and prohibiting importation of goods through a zone unless the Federal Government would undertake to shoulder the expense.

There have been suggestions that Foreign-Trade Zones should be operated by the Federal Government and there is considerable to be said in favor of such operation.

The law requires that the grantee shall pay for the additional cost of Customs supervision and the rules require that it shall also

pay for the supervision of construction by the United States Engineer. These have cost about \$25,000 per year for the New York Zone. There is also an additional cost for flood lighting the land and water areas, the estimated cost of which is over \$1,000 per year. Maintaining the intangible barrier, thus far experimental, has cost about \$6,000 per year.

The Zone, thus, starts off with a non-productive expense of over \$32,000. To these must be added the cost of office accommodations, telephone, light and heat for the Customs officials. In view of the fact that the customs duties collected in 1938 exceeded \$345,000 it seems not unreasonable for the Federal Government to bear all of the Customs expenses.

The railroads, with the exception of the Baltimore and Ohio, have appeared cold to the possibilities of the Zone. It is interesting to note, however, that much of the goods leaving the Zone have gone by various railroads, steamship companies and private lighters. In one month fifty-seven lighter loads passed into or through the Zone. The largest number of lighters belonging to any one company was thirteen.

Of course, many of the operations in the zone have been experimental. There has not been an operation in the Zone but what was entirely justified. Nor, on the other hand, has there been any major operation but that has met with difficult and complicated questions of segregation and inspection caused by the very stringent rules under which we are obliged to work and in spite of whole-hearted effort on the part of the local Customs officials. Congress requires that the "revenue must be protected." One has only to read the discussions of the courts in tariff cases to realize the necessary basic philosophy of the watch dogs of the Treasury. The importer is nearly always wrong in the first instance, but he has a good chance of success in the courts! He will receive every possible help from us, however. He will also find the Customs officers on duty at the Zone ready and anxious to assist wherever possible within the law and regulations.

We mention these things because they are important elements in the whole scope of the Foreign-Trade Zone operations. They affect us here and necessarily will affect other zones.

Right now there are stored in Foreign-Trade Zone No. 1 several thousand pieces of what are supposed to be "Household Goods" or "Removals" of people who have not yet been able to reach the United States, may never come or who may actually move to South America if they can escape the bondage in which they are held. These goods, if claimed by the owner, may be duty free. Where else could they store their possessions indefinitely without bond and repack, receive or destroy parts?

### The Grant

The "grant," a copy of which is attached, is a harmless-looking document, but is packed with potential headaches. It reaches back to the days of optimistic surveys, plans and hopes and obligates the grantee to do many things which subsequent experience may question.

Fortunately, the Board and the Customs Collectors have shown a disposition to treat the subject reasonably, but the law, rules and the grant have furnished fuel for the fires of wrath from able and highly-paid antagonistic counsel or lobbyists in Washington, New York and elsewhere.

It is obvious that in the early stages of a zone it was impossible to make enough money to pay the fixed charges and yet it has been insisted by some that our rates must be "compensatory," whatever that means. We have endeavored to fix rates comparable with those in force in the vicinity for accommodations as nearly as possible like ours. Unfortunately there is a wide difference of opinion as to what is a reasonable rate. There is by no means a uniformity of rates. We have let it be known that we will be glad to consider modification of any rate which is unfair, provided all the cards be laid on the table. Naturally we cannot accept the mere word of a single interest.

The rules require a zone to be operated as a public utility with reasonable rates. The Board has ruled that we must file our rates within three days, but the warehousemen insist that we should give thirty days' notice although they reserve the right to change theirs at will. The reasons are obvious.

### Zone No. 1 Operations

In spite of opposition and other difficulties our business has grown as follows from 1937 to 1938:

	1937	1938
Tonnage Received ..	10,586	38,895
Import Values ..	\$1,174,000	\$5,752,000
Kinds of Commodities ..	52	145
Lots of Goods ..	92	1,285
Countries of Origin ..	21	51
Export Values ..	\$60,000	\$156,000
Countries of Destination ..	12	30
Gross Income ..	\$8,200	\$69,000
Customs Revenue ..	\$30,000	\$345,000

It is estimated that an average of approximately 24,000 man hours labor per month was provided in the last seven months of 1938 in zone operations, including manipulation and handling. The first five months of 1939 show a similar average employment with an average pay roll of approximately \$19,000 per month. These figures are exclusive of work on construction contracts and maintenance of City property. The exact amount of ships pay rolls is unknown.

### Zone No. 2

Foreign-Trade Zone No. 2, which was opened in Mobile, Alabama, July 21, 1938, did very little, if any business. The Dock Authority of the State was shortly afterwards reorganized and the new State administration pledged to economy petitioned for revocation of the grant. The situation bears all the ear-marks of a change of political set-up. Mobile seemed a favorable spot for a zone especially as the State controls practically all the docks facilities of the City and would not be hampered by conflicts or disputes between private and zone interests, but, so far as we can learn, practically no effort was made to try out the Zone. The cost of Customs supervision and the complications facing the operator under the Federal rules and regulations were doubtless factors leading to the decision which resulted in a revocation of the grant, April 14, 1939.

### Conclusion

If the warehousemen would only "put their own houses in order" there would be but little, if any, occasion for fearing the competition of Foreign-Trade Zone No. 1 or any other zone.

A careful study of the law, the present rules and regulations as to the obligations and control of grantees and the little blue book called "FTZ No. 15," Uniform system of Accounts, Records, and Reports for use by Foreign-Trade Zone Grantees, will, I think, convince the unprejudiced that the grantee has more to worry about than the warehousemen.

I have the following general suggestions to offer:

- (1) That Zone grantees be given an opportunity to be heard before any order of exclusion is issued.
- (2) That the requirement for a bond for privileged foreign goods be eliminated.
- (3) That the local collector of customs be allowed to use his discretion as to the segregation of privileged domestic goods.
- (4) That goods when offered for entry be valued as of the date of entry rather than the date of exportation from the country of origin.
- (5) That drawback be allowed on foreign origin goods when placed in a zone from customs territory.
- (6) That the Federal Government should bear the cost of customs supervision when the duties collected exceed the cost.

I think you will understand from the foregoing that I feel that the Secretary of Commerce rather than the Secretary of the Treasury should have supervision of Foreign-Trade Zones. The protection of the revenue should be subordinated to the promotion of commerce which was the purpose of the law. We could then have a different philosophy of control which is much needed in the making and interpretation of rules and regulations.

Please understand that my criticism and suggestions are personal and not official. Neither should you conclude from my

silence on any point that the City of New York has waived its right to object to rules and practices which may be detrimental to the City's interest. The interpretations of the law or intent by me or by the Secretary of Commerce are, of course, not binding upon the Board or upon the grantee or the public.

#### FOREIGN TRADE-ZONES BOARD, WASHINGTON

#### Grant to Establish, Operate and Maintain a Foreign-Trade Zone at Stapleton, Staten Island, New York

WHEREAS, by an Act of Congress approved June 18, 1934, an Act "To provide for the establishment, operation, and maintenance of foreign-trade zones in ports of entry of the United States, to expedite and encourage foreign commerce, and for other purposes" (48 Stat., 998; U.S.C.A. Title 19, s 81a—81u), hereinafter referred to as "the Act," the Foreign-Trade Zones Board, hereinafter referred to as "the Board," is authorized and empowered to grant to corporations the privilege of establishing, operating, and maintaining foreign-trade zones in or adjacent to ports of entry under the jurisdiction of the United States; and

WHEREAS, the City of New York, a public corporation, organized and existing under the laws of the State of New York, having its office and principal place of business in the City of New York, in the State of New York, hereinafter referred to as "the Grantee," has made application in due and proper form to the Board for the establishment, operation and maintenance of a foreign-trade zone, designated on the records of the Board as Zone No. One, at Stapleton, Staten Island, New York, as shown on the Map accompanying said application marked Exhibit No. 10; and

WHEREAS, notice of said application has been given and published, and full opportunity has been afforded all interested parties to be heard; and

WHEREAS, the Board has found the proposed plans and location are suitable for the accomplishment of the purposes of a foreign-trade zone under the Act and that the facilities and appurtenances which in said application it is proposed to provide are sufficient;

Now, THEREFORE, the Board, subject to the provisions, conditions, and restrictions of the Act and all of the rules and regulations made thereunder, hereby grants to the Grantee the privilege of establishing, operating and maintaining a foreign-trade zone, designated on the records of the Board as Zone No. One, at the specific location mentioned above and more particularly describ-

ed on the map accompanying said application, marked Exhibit No. 10, said grant being subject to the provisions, conditions, and restrictions of the Act and of all rules and regulations made thereunder, to the same extent as though the same were fully set forth herein, and also to the following express conditions and limitations, to wit:

The Grantee shall make no deviation from the maps, plans, specifications, drawings, and blue prints, accompanying the said application and marked Exhibits Numbers 1 to 13, inclusive, before or after completion of the structures or work involved, unless modification of such maps, plans, specifications, drawings, and blue prints, has previously been submitted to and has received the approval of the Board.

The work of construction under this grant shall commence within thirty days from the date of the grant; said work shall be diligently prosecuted to completion and the work of construction shall be completed and operation of the zone shall be commenced by the Grantee within nine months from the date of this grant. The Grantee shall notify the United States District Engineer in whose district the zone is located of the date upon which work will begin and as far in advance thereof as the District Engineer may reasonably specify, and shall notify him promptly in writing of any suspension of construction for a period of more than one week, and of its resumption and completion.

The Grantee shall fully comply with the provisions of the laws for the protection and preservation of the navigable waters of the United States, and shall secure the authorizations and approvals of works in navigable waters of the United States required by such laws. The grant herein made shall not be construed as conveying such approval.

The Grantee shall allow officers and employees of the United States of America free and unrestricted access in, to, and throughout said zone in the performance of their official duties.

This grant shall not be construed to relieve the Grantee from liability for injury or damage to the person or property of others occasioned by the construction, operation, or maintenance of said zone, and in no event shall the United States of America be liable therefore.

IN WITNESS WHEREOF, the Foreign-Trade Zones Board has caused its name to be signed and its seal to be affixed hereto by its Chairman and Executive Officer, Daniel C. Roper, at Washington, D.C., this thirtieth day of January, 1936, pursuant to an order of the Board issued on January twenty-ninth, 1936.

FOREIGN-TRADE ZONES BOARD.

#### QUEZON'S SPEECHES

Leading advocates for reconsideration of the Philippine independence question to-day interpreted President Manuel Quezon's recent speeches as a move to "leave the door open for future negotiations" between Washington and Manila. Sr. Jose Romero, member of the Philippines Assembly, and Sr. Salvador Araneta, another leader of the Philippine Civic League, said President Quezon was recognizing that "the substance of freedom is more essential to the Philippines than the form."

President Quezon, it was re-called, declared twice recently that the Philippines would be unable to defend themselves for at least 25 years. He added on both occasions, however, that the Filipinos still want their independence in 1946 regardless of their admitted inability to defend themselves.

The President's declaration proved a shock even to his closest followers, but some quarters regarded his admission that the Philippines cannot defend themselves as an invitation to Washington to come forward with some bargaining point which would enable the Philippines to remain under the American flag.

Meanwhile, the U.S. High Commissioner to the Philippines, Mr. Francis B. Sayre, told the press that he could not understand President Quezon's assertion that the present economic relationship between the United States and the Philippines was unfair and injurious to the Filipino people.

"I am not certain what the President refers to," said Mr. Sayre. "The United States has always been mindful of the best interests of the Philippines when considering trade agreements, all of which contain specific reference to the Philippines."

The *Manila Bulletin* also commented on President Quezon's reference to alleged injustices of the present economic relationship between America and the Philippines.

"President Quezon's hint that there are restrictions against the Philippines in finding new markets abroad," the paper said, "does not check with the policy of the United States in assisting the Philippines wherever possible to develop an independent economy."

"Enterprise is the chief requirement for building-up foreign trade—not treaties. If the Philippines develop things to sell, there is no need to worry regarding trade treaties and other sorts of artificial regulation."

Leaders of the Philippine Civic League, which favors continued Philippine protection under the American flag, said President Quezon apparently believes that the United States will oppose future Philippine demands including the right to approve a constitution, the right to deal with political matters and direct the Philippines' own economic life.

"It is now up to our friends in America," said Sr. Araneta, "to convince the American people of the plausibility of a new arrangement on the basis defined by President Quezon."

The wisdom of Philippines independence in 1946, he said, depends on the ability of the Philippines to defend themselves. He pointed out that President Quezon "admits that we cannot be expected to defend ourselves against major aggression for the next 25 or 30 years."